Iraq MH1

[For information as to the international repercussion of the oil industry in Iraq, see 64: Shwadran M1 Middle East, category 116, pp. 194-250; 255-264.]

[For data on the organization, activities, royalties and exploitation of oil by the international oil companies operating in Iraq, see 64: Shwadran M1 Middle East, category 116, pp. 193-199; 201-216; 218-223; 233-235; 237-264; 276-281.]

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

a Turkish expedition first penetrated to their fastnesses, had been formed on paper into a qadhā of their own, with their Aghā irreplaceable as Qa'immaqam. The nomadic Harki passed annually across the Persian frontier, to the ruin of all settled folk in their path. Equally disastrous as neighbour or subject, and as ready to cross into Persia, was the oppressive restless Shaykh of Barzan, the religious prestige of whose family had attracted and settled a 'tribe' across the Zab from the Zibar country. Within the northern frontier of Mosul wilaya lay settled tribes, largely of the Ḥakkari group. They included the Shirwan, Mizuri, and Barwari groups. The folk of the tribeless 'Amadiya villages were reckoned also as of Ḥakkari stock.

6. RESOURCES AND COMMUNICATIONS

Many or most of the miseries of the 'Iraq of 1900 were due, it has been seen, to a single cause: the all-pervading poverty of the country and its Government. How then, in a territory famed of old for its wealth, were the modern 'Iraqis—and their Government—in fact gaining so poor a living?

The mineral resources of the wilayas were of the slightest. Building stone in the north, fullers' earth, some sulphur, salt, some low-grade 'coal' and gypsum: these were of some domestic use, but none provided wares for export. More significant were the seepages of mineral oil at many places in northern 'Iraq. At Hit on the Euphrates the bitumen outcrops had been worked since remote antiquity, and still gave material for the local industry of boat and coracle building. At Qaiyara and at Ṭuz Khurmatu the Saniya Administration owned outcrops of liquid petroleum, and exploited them by devices of comical primitiveness. At Kirkuk the seepages of Baba Gurgur belonged by ancient Firman to the Naftchi family. For those north of Mandali (which are those today exploited at Naftkhana), a refining plant had been erected at Ba'quba in 1871, but the project languished and failed. Applications by Europeans to exploit this and the Qaiyara oil were refused; but German experts had visited 'Iraq in 1871, and samples had been sent to London. The oil rights of the wilayas had been transferred, significantly, from the Finance Ministry to the Sultan's privy purse in 1889.

Local industry was insignificant and almost all unmechanized. There was some silk weaving at Baghdad and the smaller towns, some weaving of cotton and woollen cloths, rough mats and rugs. Jewellers' work was poor in quality, save for the curious antimony-on-silver "Amara work' of the Sabaeans. Finer work of Persian craftsmen in wood and ivory, and the kettles of the Baghdad coppersmiths, supplied local needs. Bright-coloured tiles were

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

towards equality of treatment. Their own savagery had been in part tamed by the severities of the 'nineties, and their shrine of Shaykh 'Adi was restored to them in 1907. Their Mir retained his authority and the friendless community their half-secret cult and practices; but there were signs of closer Government penetration after 1909. The application of conscription produced armed resistance in 1913, but a corrective visit of Turkish troops was not seriously opposed.

4. PROJECTS, BY LAND AND WATER

Far away from shabby, backward, and turbulent 'Iraq, Baghdad Railway negotiations vitally affecting it continued as the century opened. The results reached between the Deutsche Bank, the Anatolian Railways, and the Turkish Government were contained in the Royal Irada of January 1902. This, re-cast in March 1903, revealed that the Germans had obtained excellent terms. A railway was to be built from Konia to the Persian Gulf, branches within 'Iraq were envisaged, financial provisions were generous, and a new Turkish company, the Imperial Ottoman Baghdad Railway Company, was to be formed.

The publication of the concession excited world-wide interest. The French, who in 1899 had agreed in principle to participate, now showed little enthusiasm. British co-operation was eagerly sought by the German promoters; but opinion in London, formerly indifferent or favourable to the project, was shocked now at the threat to India and to British interests in 'Iraq and the Gulf. The tide of opinion turned decisively against it, and Mr. Balfour was compelled, unwillingly, to announce British abstention. The Germans were bitterly disappointed. In Turkey itself the scheme had many critics; others favoured the project as one of hopeful development far beyond unaided Turkish capacity. In 'Iraq awareness of the enterprise grew slowly, and the same two bodies of opinion declared themselves: the one welcomed progress in any guise, the other dreaded foreign and Christian penetration.

The section Konia–Eregli was finished by October 1904 and the line prolonged to Bulgurlu, where it halted until 1909. In 1914 the Amanus tunnel was begun, the Euphrates bridged, and earth-work was proceeding towards Ras al-'Ayn. In the meanwhile other railway schemes had been propounded: a British line to run by Port Said, 'Aqaba, and Jawf to Baṣra, a French line to pass by Homs, Palmyra, and Dayr al-Zur to Baghdad and Mosul. Both were rejected by the Ottoman Government. German attempts to secure British support for their Bagdadbahn continued, only to be met by the reply, given in 1907, that opposition would cease if and when a Baghdad–Baṣra line was under all-British construction.

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

The infant oil industry in neighbouring Persia will be mentioned later (p. 71). In 'Iraq, in spite of some enlargement of the primitive extraction and refining plants at Qaiyara and elsewhere, no modern oilfield enterprise appeared. Nevertheless, the presence of important oil deposits in the Mosul and Baghdad wilayas was universally believed, and was affirmed by German visitors in 1907. The first move was the allotment of a twenty-metre strip of territory, athwart the railway alignment, to the Anatolian Railway in its 1902 and 1903 Conventions; the Sultan reaffirmed in December 1903 his previous Iradas declaring the Privy Purse to be sole owner of 'Iraq oil; and in July 1904 an option for exploration was given by that administration to the Baghdad Railway who passed it to the Deutsche Bank. It was not pursued, and after two renewals the option was treated by the Turks (though never by the Bank) as having lapsed.

Meanwhile W. K. D'Arcy, after gaining his Persian Concession (p. 71), had sent a representative to Istanbul in 1901 and after three years of negotiation and a ministerial promise that a concession would later be forthcoming, firm application was made by his new-formed Ottoman Petroleum Syndicate. Success was almost achieved in 1908; but the revolution interfered, Royal Iradas retransferred Turkish oil rights to the Treasury, and all negotiators perforce started again. The latter by now included another British group associated with Mr. C. S. Gulbenkian, an able and progressive Armenian, and representatives of Admiral Chester, an American ex-officer with long-standing Turkish connexions and now a candidate for railway and mineral privileges.

The aspirants for 'Iraq oil development—for this was chiefly though not exclusively in question—regrouped and returned to the attack in 1910. In January 1911 Mr. Gulbenkian's group formed African and Eastern Concessions Ltd., with substantial holdings by the newly founded (British) National Bank of Turkey, the Shell interests, the Deutsche Bank, and Mr. Gulbenkian himself. The Company was late in 1912 renamed the Turkish Petroleum Company, with doubled capital, and the Deutsche Bank agreed to transfer to it the options which it claimed for railway-strip exploration. The D'Arcy interests, merged in the Anglo-Persian Oil Company since 1909, continued to press its candidature, which in 1913 again narrowly failed of success. Meanwhile, late in 1909, a Turkish Parliamentary Committee had voted for the grant of mineral rights on a 900 mile railway strip to Admiral Chester; and strong German opposition was needed to thwart his efforts to achieve ratification.

By 1913 the desirability of reconciling the rival applicants and enabling field work to commence was clear to all. Anglo-German

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

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agreement on the diplomatic level was added to that of the Companies. The Turkish Petroleum Company was again reorganized. A quarter of its capital was allotted to the Deutsche Bank, a quarter to the Shell group, and a half to Anglo-Persian, with an interest of 5 per cent. to Gulbenkian. Confident application could now be made to the Grand Vizier, with the backing of both British and German Ambassadors. The result was a letter to these from Sa'id Halim Pasha on 28 June 1914. It stated that the Minister of Finance agreed to lease to the T.P.C. all oil deposits discovered or to be discovered in the Mosul and Baghdad wilayas, and 'reserved the right later on to fix its own share, as well as the general terms of the Agreement'. Upon this letter, precisely, was based the application of the T.P.C. to the 'Iraq Government in 1923 for an oil concession to cover northern and central 'Iraq.

5. NEIGHBOURS AND FOREIGNERS

648x The increase in foreign interest and interests in 'Iraq during this period was rapid beyond precedent. It is explained by 'Iraq's more active participation in the nationalist movement, in Istanbul politics, and in educational foundations such as the Tribal College and the American University of Beirut; and it was aided by the railway and irrigation works projected and under execution, and the considerations of strategy and development suggested by them.

The Germans had, from 1900, included 'Iraq in their area of eastern expansion. They had taken the lead in archaeological work by nearly two decades of excavation by Koldewey at Babylon, and initiated excavation elsewhere in 'Iraq, for which their Consuls alleged the personal interest of the Kaiser. They founded a German school in Baghdad, and invited the French Carmelite fathers to teach German. They appointed a regular Consul in Baghdad in 1905 with his Vice-Consul at Baṣra, and planned a German-dominated quarter of the town with the Consulate, railway station, wharves, and Customs house. Since the earliest arrivals of German steamers at Baṣra in 1899, the subsidized traffic of these had steadily increased. The Hamburg–Amerika Line started regular sailings in 1906, to be followed by an influx of German commercial travellers and resident agents—notably the firm of Wonckhaus at Baṣra—and by the appearance of their goods in the Baghdad shops. 'Iraq, in fact, seemed destined to afford a stage for full German penetration.

Russian enterprise still kept to limited and uncommercial lines. Having failed at Kuwayt, they felt their way towards acquiring rights in a Persian port, and projected a trans-Persian railway; but the Anglo-Russian Agreement of August 1907 helped to remove from these projects the element of menace to British interests in the

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

The railways when at their greatest

extent they were handed over by the Army in April 1920, consisted of nearly 1,000 miles of track.[1] The absorption into the 'Iraq economy of this rapidly constructed and ill-equipped system, with its decrepit engines and rolling-stock and an alignment designed to serve military purposes, was to be no easy task. The Director in 1919–20 was Colonel G. Lubbock. The labour which the Railway used was, at this stage, almost entirely Indian.

The financial procedures for handing over to a Civil Administration the capital works constructed from Army funds were the subject of a mission sent to 'Iraq under Sir John Hewitt; the assets were valued at £2 million, excluding the Railway, and had mostly taken forms unrelated to civilian needs. The giant river fleet of the (military) Inland Water Transport, on the other hand, was never transferred to the Administration nor were its units sold locally by auction, as was the great mass of unneeded military stores. They were instead, amid storms of protest from the Civil Commissioner and 'Iraqi and British commercial interests, disposed of at Bombay by Lord Inchcape on behalf of the British Government. The civilian Tigris fleet was thereafter by degrees reduced to its pre-war scale. The Lynch (Euphrates and Tigris) Company had lost the *Julnar* and some minor craft, but in 1920 acquired the imposing *Zenobia* and *Zobaida* (both built in 1916), modernized its equipment and installations, and retained in operation the veteran *Blosse Lynch*, *Khalifa*, *Mejidieh*, and the *Malamir* from their pre-war Karun service. The Lynch management of the E.T.S.N. Company's fleet was after 1919 merged in a fusion of their interests with those of Messrs. Gray Mackenzie & Co., forming the Mesopotamia–Persia Corporation—'Mespers'—at Baghdad and Baṣra. Local competition on the river was no longer Government-organized, and most of the pre-war vessels had disappeared;[2] but it still handled an appreciable share of the traffic.

In the provincial Government, a close approximation to the Turkish administrative units was retained. The Division represented usually the former sanjaq or liwā, and the District the qaḍhā, while the naḥiyas were little changed. The sixteen Divisions

[1] The mileages of metre-gauge line were: Baghdad–Baṣra 352 miles, Baghdad–Persian frontier 130, Baghdad–Kut 158, Zubayr–Jabal Sanam 23, Ur–Naṣiriya 10, Qaraghan (on the Khaniqin line) to Kinqarban (outside Kifri) 23, with 36 miles in the port area of Baṣra and Ma'qil. The standard-gauge line, Baghdad–Sharqaṭ, was of 186 miles; the narrow-gauge, Baghdad–Kifl 21, and Baghdad–Faluja 38.

[2] The *Baghdadi*, Asfar's *Étoile de l'Orient*, the *Furat*, the *Risafa*, and a number of German-owned launches of the Société de Transports Fluviaux, had been sunk by the Turks to block waterways and impede British operations. The *Basra* was sent to Europe but did not get farther than Malta. The *Barhaniya* and *Hamidiya* were blown up by the Turks to avoid capture. The *Baghdad* reached Mosul—the first steamer to do so—and was there captured by the British.

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

two-metre-gauge systems (Baghdad–Baṣra and Baghdad–Kirkuk) remained a source of delay and trouble, and the floods of 1926 destroyed much railway property. But the reopening of Persian pilgrim traffic after 1924 brought welcome revenue to the railway. The Indian labour disappeared in thousands year by year, replaced by 'Iraqis.

Industry in modern guise was slow to appear. Cotton-ginning and mechanical transport maintenance, ancillary to other forms of enterprise, have been mentioned. Of modern manufacture there was none, though various possibilities were often discussed. The future source, however, of the country's greatest single enterprise and wealth advanced during these years from the conference-room into the open: mineral oil.

The Turco-Persian Frontier Commission of 1913–14 had allotted to Turkey, and therefore ultimately to 'Iraq, the western half of the Naftkhana border area south of Khaniqin; and the Turkish, and thus by inheritance the 'Iraqi, Government had accepted that this 'Transferred Territory should be treated as still included in the grant made to D'Arcy in 1901. Negotiations on this basis between the Anglo-Persian Company and the 'Iraqi Ministry of Works were concluded in 1925, and later reopened to produce a revised and modernized agreement in May 1926. Drilling had early located a producing well, followed by others, and it was decided to convey the crude oil by pipeline the twenty-mile distance to Khaniqin. The refinery which, with Government encouragement, the Company decided to erect at Alwand outside the town, but still within the Transferred Territory, was begun in June 1926. 'Iraq seemed thus assured of its own petroleum supply, with all the importance of this to mechanical transport, pump-irrigation, and perhaps future industries.

The Vizirial promise given to the Turkish Petroleum Company on 28 June 1914 had in the seven years following been first doubted but later affirmed by the Foreign Office. It was questioned but later accepted by the French who in 1920, under the Cadman–Berthelot agreement at San Remo, inherited the Deutsche Bank's 25 per cent. shareholding in the Company; and it was viewed askance by the Americans who demanded an Open Door to 'Iraqi development with no complication of old unratified promises. This diplomatic obstacle was removed by the allotment of half the Anglo-Persian share to a group of American companies by an agreement reached in principle in 1923, but not implemented formally until 1928. Thus the shares of the Company in its final form were held as to 5 per cent. as ever by Mr. Gulbenkian, and as to 95 per cent. equally between the Shell Group (as the Anglo-Saxon Petroleum Company), the Anglo-Persian (as the

G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

D'Arcy Exploration Company), the French Government-sponsored Compagnie Française des Pétroles, and the American companies grouped *ad hoc* into the Near East Development Corporation. This shareholding was unchanged thirty years later, except in the internal holdings within the American group, where the six early participants narrowed finally to two, the Standard Oil (New Jersey) and the Socony. The Turkish Petroleum Company approached the successor Government first in 1924 for a suitable implementation of Sa'id Ḥalim Pasha's promise. Discussions were prolonged, Government a hard bargainer, and the Company's ideal of an all-'Iraq 'blanket' concession impossible of realization. The agreement signed in March 1925 covered the whole of Mosul and Baghdad wilayas and, since Parliament did not yet exist, was ratified by the Council of Ministers and the King. It provided for exploration by the T.P.C. within a time limit, for the selection of limited plots for the Company's own exploitation, with the obligation to let the remaining territory pass for development into the hands of the highest bidders. The royalty payable on petroleum obtained was to be four shillings (gold) per ton. Upon these bases, later to be revised, geological work in the field could begin, with great energy and expense, before the end of 1925. Concentrating first upon the known seepages and visible surface structures of the southern districts of Mosul wilaya, the Company devoted 1926 to extensive exploration. It was accompanied by the making of roads, the laying of water and fuel pipelines, and the erection of buildings. Fifty British and 2,500 'Iraqis took part. Drilling sites were selected in the Jabal Ḥamrin, near Tuz Khurmatu, in the neighbourhood of Kirkuk, and near Qaiyara and south of Sharqaṭ on the right bank of the Tigris. Drilling was to begin early in 1927. The claims put forward by the heirs of the late Sultan Abd al-Ḥamid, a formidable body of Turkish princes and princesses, to the ownership of all the oil of the old Ottoman Empire, and much besides, were not then or later taken seriously in 'Iraq.

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

were decked for road traffic, passable tracks were pushed far into the Kurdish hills. A 900-foot steel bridge over the Euphrates at Faluja was begun by British contractors, Messrs. Balfour, Beatty & Co., in 1927 and, after interruption by floods and a law case, completed in 1932. Permanent steel bridges across the Tigris at Baghdad and at Mosul were planned, and the latter well begun in 1932. A significant project was the road begun in 1927, and after remarkable engineering feats completed five years later, to connect the 'Iraqi system at Arbil with that of Adharbayjan at Tabriz. The 'Iraqi section, first used by experimental convoys in 1931, passed through the fabulous Rawanduz Gorge and was completed by the Persian section to the shores of Lake Urmiya; but its power to divert the Tabriz trade from Batum or Trebizond to Baghdad was doubtful. The close of the period saw the increased use of a direct Baghdad–'Amman route, and the first experiments in developing a pilgrim highway from Najf to Madina.

The Tigris steamers operated by the Lynch Company and their local competitors doubtfully held their own against rail, air, and road competition, and had little scope for development. The veteran *Blosse Lynch* and the *Baghdad* were sold as scrap in 1927, *Mejidieh* in 1928, and two R.A.F.-owned steamers, the *S.*16 and *S.*14 were acquired in 1927 by the Euphrates Company, to be renamed *Blosse Lynch* and *Mejidieh*; they were joined by the *Tigris* in the same year. The *Zobaida* ceased to be in commission after 1929. At Baṣra Port the bar-dredging operations at Fao, provisionally completed in 1926, were carried further in 1928–30. They resulted in a dredged channel—the Rooka—giving 30 instead of 28 feet of water at high tide (as compared with 20 feet in 1920) and easier movement over the inner bar. The bulk of the Port traffic consisted, as ever, of oil tankers proceeding to and from Abadan, but the Shaṭṭ was used regularly also by the Strick, British India, City, and other British lines, by the (German) Hansa Line and by an occasional ship of the U.S.S.R. or of Sweden. The new Port headquarters ranked among 'Iraq's most imposing buildings. The dredging loan of £460,000 from the Anglo-Persian had soon been repaid, and substitution of 'Iraqi for British and Indian personnel continued. Colonel Ward's Port administration, grouped as a department under Finance, was normally prosperous though badly afflicted by the slump of the years 1929 to 1932. It continued to pay to Great Britain the annual instalments fixed in 1922 as the cost of acquisition, but formation of the Port Trust then envisaged, and again provided in the 1930 Treaty, was not yet in sight.

The history of 'Iraq Railways was at this period uneventful. Their status as between British ownership and 'Iraq Government

1: Longrigg G-4, 5 (ca. 1918-1940) MEU Iraq MSU

operation under Tainsh was uneasy, but in practice tolerable; the transfer of ownership to a Railway Corporation of Anglo-'Iraqi membership was, as with the Port of Baṣra, provided in the 1930 Treaty. The service and maintenance of the 750 miles of line were hampered by abiding financial stringency due normally to road competition and the uncertainty of the pilgrim traffic, and abnormally to flood interruptions such as those of 1926 and 1930 and to the stagnation of trade in 1929–32. Two lines of railway development were followed, both of international interest: the first was the provision in 1930 of a link by motor convoy between Kirkuk and the Turkish railway at Nisibin, making possible direct bookings from Baṣra to Europe: the second was the prosecution in 1930–1 of the survey for a Baghdad–Haifa line—a project widely supported but destined, twenty years later, to be still as far from realization.

'Iraq's fortune was that of many contemporary nations in the rapid development of its air routes. A weekly mail service Baṣra–Baghdad–Cairo was inaugurated early in 1927, to be followed two years later by the England–'Iraq–India service of Imperial Airways. In the same year a first civil airport was ceded by the R.A.F., and the (German) Junkers Company initiated, but failed to sustain, a Baghdad–Teheran service. Soon afterwards aircraft of the (French) Air Union or Air France appeared, and those of the Royal Dutch (K.L.M.) line; 'Iraq's central position for air communications—the 'Clapham Junction' rôle asserted for it by Mr. Churchill in 1921—was fast revealing itself. A modern-equipped airport immediately outside Baghdad begun in 1931 was completed in two years, and civil landing-grounds were in use also at Baṣra, Ur, Ruṭba, and elsewhere.

The effect of the trans-desert route and the increasing east–west air services on postal communications was profound. Both were used as they came into being for letters, the former also for packages; communications with Europe and India were revolutionized. In 1929 'Iraq joined the International Postal Union. With the constant spread of the telegraph and trunk telephone network within 'Iraq went the increasing use of wireless. The Baṣra station already communicated directly with Europe; those of Ruṭba and Baghdad were ancillary to it.

If the uplifting of 'Iraqi standards of life could be assisted indirectly by these improvements, it must be sought more directly in the development of its old and some new resources. The efforts of the public and Government were active in this direction. No minerals, other than petroleum, were located. The Government salt monopoly could do no more than maintain itself. A gold concession granted in 1931 for the mid-desert Qa'ara Depression, near

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

185 Ruṭba, led to no discoveries. An experiment in the export of
654 bitumen to India was short lived. Nor could industrial develop-
135 ment proceed far, though it had its place in the programme of every Cabinet and in 1929 was encouraged by indulgent legislation in its favour. 'Iraqi capital, exploitable raw materials, a class of skilled
433 artisans and local purchasing power: these were all lacking. The Government's Industrial Exhibition at Baghdad in 1932 had little to show. There had been local development of electric power and mechanized brick-making. Two ginneries, one British one 'Iraqi, stood ready for cotton that was slow to appear. Two wool mills dealt with the inferior local fleeces, small cigarette factories had transformed smokers' taste, a soap works and a tannery were indifferently successful. A cement factory was long projected, and in 1932 a concession was granted to Yasin Pasha and partners. To utilize 'Iraq's surplus products plans were made for a shoe factory, a fruit-canning plant, and date-sugar production. But the total of these could do little to solve the country's problems.

382 With the petroleum industry it was otherwise. Though oil
471 export could not commence until late in 1934, it was established in 1927 that 'Iraq was to take its place among the world's great oil territories. The Turkish Petroleum Company's drilling campaign, inaugurated by the King with due ceremony in April of that year, was early rewarded by an oil strike of exceptional abundance at Baba Gurgur close to Kirkuk on 27 October; and while drilling at many locations proceeded with varying success, the dimensions and behaviour of the Kirkuk structure were confirmed by later tests as those of an oilfield of the very highest class, whatever others 'Iraq might prove to contain. The four years following were devoted, on the one hand, to preparing the Kirkuk field for production by drilling and scientific observation, and by the provision of necessary services—production installations, tankage, workshops, housing, and amenities—and on the other, to negotiating with Government for an extension of the period permitted for plot-choosing under the 1925 Convention, since much of northern 'Iraq had meanwhile been inaccessible to exploration: or, alternatively, for a recasting of that agreement itself. These negotiations ended with an agreement of March 1931 whereunder the Company (renamed 'Iraq Petroleum Company in 1929) renounced all its territory west of Tigris and south of latitude 33 but, within the retained area (which was the whole of north-eastern 'Iraq), could exploit not only chosen and limited plots but the whole territory. The Company promised to construct by 1935 pipelines to the Mediterranean of at least 3 million tons capacity, bifurcating at the Euphrates towards Haifa and Tripoli, and to pay annual lump sums of £400,000 (gold) a year to Government, pending production and

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

the earning of royalties. The agreement once passed by Parliament, at the cost of one ministerial resignation, the Company could plan and execute its twofold desert pipeline and its mid-desert pump-stations: works which called for its utmost efforts, human and financial, for the next three years. These and the continuing field operations in Kirkuk area constituted by far the most important man-made enterprise of 'Iraq's long history and, it could be hoped, the most advantageous to its Treasury and public.

The internal structure of the 'Iraq Petroleum Company was completed by the definite admission of its American shareholders, the Near East Development Corporation, in 1928. The I.P.C. fields headquarters in 'Iraq moved from Ṭuz Khurmatu to Kirkuk in 1931, while that of its pipelines was established at Haifa. The annual payments, of which Turkey received 10 per cent. under the 1926 Treaty (p. 156), were made in sterling at the Bank of England exchange rate as between gold and sterling.

The area of north-western 'Iraq released by the I.P.C. in 1931 was next year allotted by Government to the B.O.D. Company, a British group, with considerable Italian, German, and other foreign shareholding, which had tried vainly to acquire 'plots' under the I.P.C. Concession of 1925, and in 1929 had protested at Geneva against its exclusion. Inheriting the test-drilling results of the I.P.C. west of Tigris, the B.O.D. bound itself to pay in advance of production an annual dead rent of £100,000 (gold), rising to £200,000: to export a stated minimum of 1 million tons per year within a seven-year time limit: and to allot to Government without charge a fifth of its crude production in addition to the royalty of 4 shillings (gold) per ton. The Company proceeded forthwith to the further exploration of its territory, forming an operating company, Mosul Oil Fields, for the purpose.

The Anglo-Persian meanwhile, with its smaller concession in the Transferred Territories and its revised 1926 agreement (p. 174), formed the Khaniqin Oil Company as its subsidiary for production within 'Iraq, and completed its Alwand refinery near Khaniqin in May 1927, when King Faysal opened it. Thereafter north and central 'Iraq were supplied at favourable prices with petroleum products from this source; southern 'Iraq still drew from Abadan. A network of distribution facilities soon covered the territory; it was managed by the Rafidain Oil Company, an Anglo-Persian distribution company formed for the purpose. Drilling at the Naft-khana field was limited hereafter by the K.O.C. to its actual needs, and at Chiah Surkh, where it had been abandoned in 1904, 1912, and 1924, it was resumed in 1930; but production still proved impracticable.

The daily lives of more 'Iraqis could be affected by progress in

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

opening at Kirkuk in January 1935, its twin 12-inch pipelines to Haifa and Tripoli came into operation. This achievement marked the end of ten years of patient and well-directed work since the grant of the first concession, and by its employment of 'Iraqis in their thousands, its expansion of communications and the example which it offered of successful large-scale modern industry, it added great advantages for the 'Iraqi public to the direct enrichment of their Treasury. The gradually developing works in Kirkuk oilfields, the main depots at Bayji and Ḥaditha, the mid-desert pump-station townships with their connecting roads, pipeline, and telegraphs became a characteristic feature of the modern 'Iraqi scene, while its production, of 4 million tons of crude oil a year from 1935 onwards, placed the country immediately as the eighth oil-producing country of the world. The B.O.D. Company, whose shareholding was in these years predominantly Italian, German, and Franco-Swiss, soon found itself embarrassed by its obligation of annual payment to Government, and by its failure, in spite of an active drilling campaign from 1933 onwards, to discover other than viscous, scarcely marketable oil. The Company's plan in 1935 of diminishing their cash payments by building a Qaiyara–Tall Kochek railway, which could convey their oil to seaboard and link 'Iraq with the Turkish railway system, was after hesitation rejected by Government. Their financial position grew desperate, and a reconstruction of their Board in 1936 marked the transfer of control of the Company to the I.P.C. group; and the latter emerged soon afterwards as outright owners of the B.O.D. and Mosul Oil Fields, with the disappearance of all non-British shareholding in it other than that of the I.P.C., French, and American constituents themselves. The problem of its viscous and sulphurous oil remained to be solved. The smaller Rafidain and Khaniqin Companies (p. 211) continued respectively their work of producing and refining oil in the Transferred Territories, and of marketing it throughout 'Iraq. The project of a Government-owned refinery, for which the I.P.C. concession provided, was conceived during this period but was to prove slow of realization.

Road-surfacing was among the uses of oil products in 'Iraq, but neither this nor the too limited funds available could do much at present to provide the country with roads of high or even tolerable standard. Some further sections such as that from Ramadi to Ruṭba were metalled, others were indifferently or barely maintained, all were at worst passable; road maintenance, costly and inconspicuous, was given habitually a low priority in Government allotments. Traffic on the Najf–Madina route increased. The route from the Euphrates to 'Amman and Haifa developed as a powerful rival of the northern track to Beirut. The Rawanduz road, dis-

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

of further contributions to them. The Assyrians still in 'Iraq, to whom conscription was now applied without disturbance, were established in villages neither overcrowded nor unprosperous, and were reluctant to move. The 'Iraq Government officially assured the League that their status as 'Iraqi citizens was secure; but the return to 'Iraq of the Mar Sham'un, who had taken British nationality and now lived in Cyprus, could not be considered.

The forward movement of foreign trade and prosperity which had marked the period 1935–7 was notably checked in 1938. Produce prices fell, Government's capital-works allotments were overspent, and the later days of the Madfa'i Ministry were financially unhappy. Nevertheless, a monopoly for (packed) date exports was awarded by the Basra Date Board to a British firm, Messrs. Andrew Weir, and arrangements for the tobacco monopoly approached finality. The Agricultural and Industrial Bank was prolific of projects, a Cement Company invited funds from the public, and Government remained ambitious to erect its own oil refinery. A concession for the oil of Basra wilaya—more strictly, of all 'Iraq territory south of the two existing oil-concession areas—was granted in 1938 to the Basra Petroleum Company, an *ad hoc* creation of the I.P.C. group, upon terms similar to those governing the B.O.D. concession of 1932. The Banco di Roma opened a branch in Baghdad early in 1938. A British adviser was recruited for the Ministry of Communications and Works, G. N. Loggin, of the Egyptian service, in succession to Wheatley who had retired—a serious loss—in 1937, and an expert with long Egyptian experience, J. D. Atkinson, was secured in 1939 for Irrigation, where he remained for seven years. Ward, remaining as Port Director till his death in 1942, gave up the Directorship of Railways early in 1939; he was succeeded for a year and for six months respectively by Loggin and by C. F. Nicoll, after which the post was held, for nine years from 1941, by H. C. Smith. E. G. Hogg retired from the Financial Adviserships in 1939, leaving the post vacant for two years thereafter.

In the field of foreign relations, agreements were concluded, on bedouin rights and on commerce respectively, with Sa'udi Arabia and with Egypt. Turkey was blamed for its pressure to obtain Alexandretta and its sanjaq, which were held to be Arab. Major demonstrations in Baghdad, to be repeated in 1939, condemned the French for the shortcomings of their policy in Syria. A commercial treaty was signed with the United States, though American Zionist sympathies were not unsuspected. The Vatican appointed another Apostolic Delegate to Mosul, this time a Dutchman. Diplomatic relations were opened with Belgium and Hungary. The King of Italy was recognized as Emperor of Ethiopia, and

1: Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

382 1951 be anticipated that the continued presence and enlarged operations of the oil companies would remain an outstanding economic and social advantage to the 'Iraqi people: that, especially after the destruction of the great oil industry of Persia by the action of its Government, 'Iraq's position as a supplier of crude petroleum must give it an international importance greater than ever before: but also that the minds and emotions of local patriots, for whom the Persian tragedy had no terrors and no lesson, would not abandon the demand for a 'nationalization' which might or might not (according to its form and manner) permit the continuance of the industry. It was indeed clear that the presence in 'Iraq of successful, wealthy, and well-organized European enterprises with their foreign control, high living standards, and concession-granted privileges must, however correct their conduct and however enlightened their policy, be offensive to the nationalist sentiment of at least one school of local politicians; and the period during which oil development on these lines might be able to continue could not, for all its enormous advantages to the country, be confidently foreseen.

65! 648 471 Meanwhile, to the 'Iraqi Treasury its receipts from oil sources were no longer a mere helpful supplement to other revenues but a main pillar of the Government itself and the foundation of all its hopes of development and improvement. The anxiety of 'Iraqi statesmen to derive still greater revenues from the oil industry than those provided in the 1925 or 1931 concessions—4 shillings (gold) per ton—and their claim that 'gold' should be translated into sterling at unofficial open-market rates led from 1947 to 1951 to repeated discussions between Government and Company. The gold question of which the Company, at 'Iraq's request, agreed in 1949 to allow settlement by a British Court rather than by arbitration, remained still unsettled when the period closed, with indications that the Baghdad Government intended still to press its full claims.[1] The question of royalty revision resulted in 1950 in a partly retroactive and conditional agreement to raise the 4 shillings gold per ton to 6 shillings gold; but this increase, immediately helpful as it was to the 'Iraq Treasury, was in turn to be superseded by further and long-drawn negotiations based on a new principle of half-and-half division of the profits: a principle which, first announced by the Arabian-American Company in Sau'di Arabia on the last day of 1950, could not but abruptly supersede all less favourable terms enjoyed by neighbouring countries. Conversations on this basis were in progress in Baghdad between Company

[1] These might amount to some £20 million sterling. Agreement upon a compromise figure (£5 million) was reached by the negotiators in 1951, but did not form part of the settlement ratified by Parliament early in 1952.

1r Longrigg G-4, 5 (ca. 1915-1940) MH1 Iraq MH1

and Government throughout the first half of 1951 and were to embrace the production obligations of all the companies operating in 'Iraq and the royalties or taxes expected from them.[1] Under the influence of the 'nationalization' movement—but in more moderate form than the brutal self-mutilation of Persia—the 'Iraq Government decided in 1951 to nationalize the refining and distribution of its oil in so far as this was consumed in 'Iraq itself: the operation, that is, of the Khaniqin and Rafidain Oil Companies. Negotiations with these and with Anglo-Iranian, their parent, led to agreement on the basis that the Companies were to transfer their plant and assets to the State at a valuation, and to remain for ten years as operating agents on its behalf.

The Port of Baṣra in the period 1946–50 maintained and substantially improved its services—wharves and sheds, cranes and machinery—and, in spite of the increased cost of labour and supplies, could show a profit on each year's operations. It continued annually to pay off its capital debt, completing that process in 1951. It maintained and largely increased its electric-power and water supplies to Baṣra city. The airport, with its wireless service and its enlarged hotel, remained Port property. The dredging-depot at Fao was extended, an all-weather road constructed to link it by land to Baṣra. A shore depot was built at Ḥarmaq, opposite Abadan. The traffic using Ma'qil wharves decreased abruptly from the level of the previous five war years, but the tanker traffic of the Anglo-Iranian increased, until the spring of 1951, more than sufficiently to compensate for this. The development of a subsidiary port at Umm Qaṣr, on the Khur 'Abdullah, was a

[1] The new Oil Agreement, based on acceptance in August 1951 of the principle of equal division of profits between Government and Company, was ratified by Parliament in February 1952, and made retroactive to 1 January 1951. With the probable initial through-put (in a full year) of the 30-inch line (some 14 to 15 million tons a year) additional to the existing through-put (nearly 8 million) of the 12-inch and 16-inch lines to Tripoli, 'Iraq's revenues from this source were expected—on existing cost and price bases—to surpass £30 million in 1952 and to reach £60 million in 1955. Minimum production was agreed at 22 million tons a year (for I.P.C. and M.P.C. combined) from 1954 onwards, and 8 million from B.P.C. from the end of 1955. Government was assured that its receipts would be not less than a quarter of the seaboard value of I.P.C. and M.P.C. crude oil, and a third of that of B.P.C. Fluctuation of costs and of world oil prices was to be taken into account in ascertaining the divisible 'profits', and Government might, if it wished, take in kind 12½ per cent. of the crude produced, and either dispose of it or sell it back to the Companies. A large part of the balance of Government's revenue was to be received in the form of income tax. Minimum receipts to Government, guaranteed subject only to *force majeure*, were to be £20 million sterling in 1953 and 1954, and £25 million in 1955 and thereafter; in the event of a physically unavoidable failure in production a smaller minimum would be payable for two years. The Agreement covered in addition the doubling of 'Iraqi representation on the Boards of the Companies, restrictions on the appointment of non-'Iraqis to positions in the Companies, an increase (up to fifty per year) of 'Iraqis maintained in British universities for higher studies, and the extension of technical education organized by the Company in Kirkuk fields.

2: Dowson G-5 (1929-30) 1932 MH1 Iraq MH1

PART IV.—EXISTING CONDITIONS.

MIRI LAND (STATE DOMAIN)

1–4. General Situation

1. As ordinarily used in el 'Iraq the term miri land, or State Domain, embraces the entire land surface of the country with the exception of land registered as owned in mulk or held on tapu tenure, the extent of which is unknown. Of the compound total some 78,000 square kilometres is estimated to be occupied by scattered cultivation, and about another 15,000 square kilometres to be capable of cultivation (see Plates I and II and Table I). In the former figure are included the previous Ottoman Crown Estates, which comprised some of the most valuable land in the country. These estates were originally managed by a special estate service (El Dairet el Saniya). The administration, by common repute that has survived both in Palestine and el 'Iraq, was good. These estates were subsequently termed mudawara Lands, apparently because they were "turned over" to the civil administration after the Turkish revolution of 1908. They have since lost their separate identity and become merged in the general category of cultivated miri land, although, of course, their previous circumstances may have to be taken into account when considering the position of the present holders of such lands.

It is desirable at the outset to recognise that the huge agglomeration thus grouped under the name miri, or State Domain, reflects no real uniformity in legal status, customary practice, or actual treatment. Thus, while it is accurate and informative to speak of mulk ownership or of tapu tenure, there is no such thing as miri * tenure in law and an unknown variety of things in practice. Miri land simply represents the overwhelming residue of the country not held in mulk or on tapu tenure. It is none the less reasonable and convenient to maintain this elastic, if negative, category at least provisionally. For it accords with accepted tradition and statutory law (*a*) to regard the State as the basic landlord of all land other than mulk (and its derivative true waqf) and (*b*) to recognise that, whatever the rights of holders of miri land may be, they fall short of those of a duly registered mutasarrif of tapu land. But the powers of the State as such a landlord must evidently be exercised with most careful regard to the history of the land and to over-riding considerations of an equitable, economic and administrative nature, if they are to prove admissible in practice.

The general management and control of miri land, legally vested in the State, is nominally entrusted to the State Domains Section (qism el amlak el amiriya) of the Ministry of Finance, until recently the State Domains Department of the late Ministry of Irrigation and Agriculture. Some such central State Domains Office is essential; while the keenness and public spirit that I encountered in this service cannot be too fully recognised. But the Department was quite inadequately staffed and equipped to discharge even the practicable part of its colossal titular duties. Actually in the prevailing absence of intelligible maps and

* Using the term in its customary local, as opposed to its legal, connotation (see iii. 1).

2: Dowson G-5 (1929-30) 1932 MHl Iraq MHl
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000 absence of all data on which such an estimate could be dependably based. But the lessons of the Egyptian experience in the conduct of its parallel revenue settlement should not be overlooked. The Egyptian revenue settlement was initiated by Decree dated February 9th, 1879. It was not completed until 1906. The statistics of the progress achieved during these twenty-seven years are instructive. In the first nine the work was an entire failure because it was attempted without a proper basis of land survey. During the following four years it was abandoned in despair. In the next seven years a quarter of the country was done with the aid of an indifferent sectional survey. In 1898 a unified and effective national Survey was at length recognised as indispensable. In the succeeding eight years the remaining three-quarters of the country was finished, and the quality of the work improved even more than the speed, as sound technical methods were introduced and enabled improvements in the general procedure of the settlement to be adopted. It will thus be seen that owing to the initial failure to appreciate the fundamental necessity of a scientifically sound and appropriate cadastral survey, the revenue settlement of Egypt occupied twenty-seven years whereas its final progress shows that it could have been completed in ten.* It will be remembered that the Turkish legislators had also recognised before the war the necessity of a foundation of reliable cadastral survey for land tenure throughout the Ottoman Empire (iii, 3).

E 651 471 I 651 471 Now while the land surface to be dealt with in el 'Iraq is much greater than in Egypt the individual parcels requiring investigation and settlement will be many fewer although no doubt appreciably larger in extent on the average. Thus three and one third million individual holdings were recorded during the revenue settlement of Egypt, a number which considerably exceeds the total population of el 'Iraq. On a comparable basis the number of individual holdings in the latter might be expected to be about 800,000. As the population is still so largely nomadic half a million is probably nearer the true figure. (See also ii, 4 and Table V).

000 Although the fuller benefit of a settlement of rights was not practicable in Egypt at the time, owing to various reasons, the procedure was similar: but unfortunately no deductions can be drawn therefrom as to the speed of settlement of rights in el 'Iraq, because all the conditions in Egypt were so different.

4. The Main Problem of Tenure

I 423 471 4. As we have already seen, the land surface of el 'Iraq is more literally than in most similar cases a vast national estate. The extent of land held in private ownership (mulk) is small, and although it is intrinsically important, its legal position is clear and its regulation presents few difficulties. Probably four-fifths of the cultivable area of the country is in law fully and freely owned by the State and when cultivated held in practice under the general administrative control of its representatives. And even the legal ownership (raqaba) of the balance is vested in the State although, subject to important conditions, its usufructuary possession is held on a permanent heritable and assignable tenure. This tenure (known commonly as tapu) is that applicable under the provisions of the Land Code to all State land. The Ottoman Administration persistently sought to give effect to these provisions, but failed to do so because the successful operation of this tenure is impossible without an accompaniment of effective survey and land registration,

* See Paper 5. Egyptian Government Commission on Registration of Title to Land. 1917-21. Government Press. Cairo.

which the Administration were unable to provide. And even if this radical defect had been remedied the application of this advanced tenure would have been premature throughout the majority of the country. So that to-day—more than half a century after the introduction of the Ottoman Land Code in the country—only a fraction of the cultivated region is somewhat uncertainly held on tapu tenure, while throughout the overwhelming balance, land is for the most part occupied and cultivated on no legal tenure at all.

The injurious effects of the prevailing welter of insecurity and confusion both on agricultural productivity and on public order have been emphasised in the body of this report and are too well known to need repetition. The main problem of land tenure may therefore be summarised as the need to establish security and clarity of tenure everywhere by a general definition and settlement on a clear legal basis of both statutory and equitable rights to land. The broad objective should be to confirm and maintain beneficial occupation and use, whenever this is reconcilable with the equitable treatment of third parties and the just interests of the public.

It is very understandably urged that the proper course is to extend tapu tenure generally throughout the cultivated territory, subject of course to the requisite clarification of that tenure and its adaptation to national requirements. Excellent as the chief characteristics of tapu tenure are, and advantageous as the suggested course may prove ultimately to be, this is too ambitious a plan to be practicable at present. It is what the Ottoman Government attempted and failed to do, and the causes for their failure must be remedied before that attempt can be successfully repeated. This was implicitly recognised by the Turks themselves some years before the war in a provisional law already cited. No useful purpose will be served by examining here the prospects of practical success of this now defunct measure. But it is certain that it is beyond the present capacity of el 'Iraq to establish the detailed cadastral survey and land register of the requisite accuracy and authority. And without these accompaniments any ostensible general introduction of tapu tenure would be to grasp an attractive shadow in preference to the substance of a solid and attainable reform. To place even the admitted rights to tapu tenure on an intelligible and proper basis will be a most difficult and lengthy undertaking.

Occasional and sporadic grants of miri land in tapu tenure can, of course, be made and implemented in due course if special justification arises and special efforts are taken. But no general grant of tapu tenure can be made effective for many years to come. And while islands of secure tenure and good culture are most valuable, it is the establishment of a general reform giving security of tenure to the mass of existing landholders and cultivating tenants, which is needed to stimulate enterprise and development throughout the length and breadth of the country and thereby promote economic revival on a national scale.

A hardly less important accompanying reform is the establishment of a uniform and equitable basis for land revenue collection. Here again the Turkish administrator perseveringly sought to establish in his land tax (werko) a measure admirable in principle and conception. But here again he was unable to translate his measure effectively and generally from the Statute book to the land. And here again no far-reaching or solid success is practicable in the absence of a reliable land survey, or without a general settlement of rights and a methodical valuation of the land, as was also ultimately recognised by the Ottoman Government.

3: Clark S-5 (1950)1951 MH1 Iraq MH1

and confusion of rights. Indeed the most diligent inquiry would be unlikely to reveal anywhere any appreciable number of holdings, small or large, held in undisputed possession and free from hampering and conflicting claims. It needs no great effort of the imagination to appreciate the blighting effect of these unhappy conditions prevailing throughout the country, upon the prosperity of the main national industry and the welfare and contentment of the people as a whole.

Put very briefly, with the exception of small areas, mainly in Northern Iraq, together with some smaller areas of a few yet hopefully significant State-sponsored schemes of land settlement, the bulk of the cultivated land of Iraq is in the possession of large landowners. Some of them may not enjoy the holding of this land by confirmed legal right but, to all intents and purposes, they own it and derive immense incomes from it. Others, by legal process, the validity of which is disputed by land reformers, have gained possession of lands which were formerly held in common tribal use.

These landowners, or landholders, are usually sheikhs or absentee urban landlords who let the land to share-tenants through a hierarchy of lessees or agents, at the bottom of which is the landless cultivator who gets an incredibly small share of the produce of his labour. Indeed, the actual cultivator under this invidious system of share-cropping may get anything from ten per cent to thirty per cent of the produce of the land which he works, most of the remainder going to the large landowners, agents or owners of irrigation pumps. The situation may vary from landlord to landlord, and very occasionally the actual cultivator is said to share fifty per cent of the produce. In general, however, the position of the Iraqi countryside is one of great extremes of wealth and poverty. The landowner may live in a sumptuous style with a town house and country palace, while the peasant cultivator may live under conditions of poverty or near-destitution.

It is not possible in this study to attempt more than an outline of the causes and effects of this situation. It arose partly out of ancient confusion of titles which meant that, with the break-up of the tribal system, the most powerful member of the tribe was able to appropriate for his own purposes land which was originally intended for the common good of the tribe. It is due partly to the faulty application of the Ottoman Land Code under which, because the small cultivator was not strong enough to establish his rights of title, these rights fell to the sheikh. The profits derived from the Persian Gulf grain trade in the late 19th and early 20th centuries gave a further impetus to what has been described as 'this wholesale land grabbing'. Finally, with the development

3: Clark S-5 (1950) 1951 MH1 Iraq MH1

of modern pump irrigation, both landowners and urban speculators were able as pump providers to secure further advantages over the small peasant cultivator. The outcome of this combination of cupidity and circumstance is such that an experienced investigator into the land problems of the Near and Middle East maintains that 'the bulk of the land has come into the hands of a class from whom no leadership in agricultural methods can be expected and which is tyrannous, callous and oppressive'. This generalization is, however, not entirely just, for a minority of the landowners appear to take a greater interest in the welfare of their tenants than might be assumed. But, with few exceptions, the share-cropping peasant cultivator of Iraq lives a hard life of poverty which is only mitigated by ignorance of better conditions.

It is necessary that this problem of land tenure and its effects on the economic and social life of the country should be fully appreciated, and this for three vital reasons.

Firstly, the land is the main source of the future wealth of Iraq, and consequently of revenue for educational and other social purposes. There are, of course, those other possible sources of increased revenue indicated earlier in this chapter and, as will be suggested later, it is to be expected that the steadily increasing royalties from oil exploitation will contribute to the country's resources for social progress. But it must be reiterated that the most important source of national wealth in Iraq is the land.

Secondly, although improved methods of agriculture and of the organization of rural life are badly needed, these are hardly likely to be promoted by landowners who are interested in the *status quo*.

The agricultural productivity of 'the land between the two rivers', once renowned for its robust fertility and abundant crops, has fallen to an extraordinarily low level. The superficial causes of this lamentable state of affairs are primitive methods of husbandry, the lack of application of power and science to the land, insufficiency of irrigational facilities and the misuse of those that exist. Until improved methods of cultivation, stock rearing, harvesting and marketing, accompanied by a sound system of agricultural education both in the schools and at the adult level are applied, there can be little prospect of the land of Iraq being that rich source of wealth through which the people may live more abundantly. These improvements, however, are not likely to materialize under the existing land tenure system.

Thirdly, there can be little expectation that Iraq, constitutionally a democratic country, will develop effective democratic institutions, both centrally and locally, so long as the standards of the bulk of the population remain at so low a level.

3: Clark S-5 (1950)1951 MH1 Iraq MH1

If developments of this kind proceed it is likely that the agricultural productivity of Iraq will increase considerably. Although most of the profits will find their way into the pockets of a few, more taxable wealth is likely to be produced which could wisely be devoted to the development of educational and other social services. Indeed, if means could be devised of applying income tax to such profits, considerable additional revenues for public services would accrue.

The Dujaila Project of Land Settlement. But perhaps the most hopeful and significant economic and social development which is taking place in Iraq is the Dujaila Project of Land Settlement.

Some years ago, as one of the first attempts at land reform, the Government distributed parcels of land to small, independent farmers. The Government provided the irrigation facilities and, on the land which could consequently be brought under cultivation, allowed families to settle. The scheme was not nearly so successful as it should have been, partly because some of the tenants lacked sufficient farming experience but mainly because it was not accompanied by a scheme for providing agricultural advice. Further, because of the failure to institute adequate drainage arrangements, there is a danger that much of the land in the settlement area will lose its fertility through otherwise avoidable salinity.

In the Dujaila area, in the province of Kut, the Government are now in process of organizing a much more satisfactory and intelligently conceived scheme of land settlement. In 1945 a large tract of hitherto uncultivated land, roughly seventy kilometres long and about half that distance wide, was selected as an area for land settlement. The scheme is being organized by a department known as the Dujaila Directorate to which a reasonable delegation of powers has been given. Its main features may be summarized as follows:

(1) Each settler, who must have had previous agricultural experience in or near the locality, is provided with a holding of about sixty acres. The settler has to sign a well-devised form of contract which binds him for a period of ten years to farm his holding in accordance with advice given by the agriculturalists and horticulturalists attached to the Directorate. At the end of ten years the holding is apparently vested in the holder in a form of limited freehold.

(2) Each settler is eligible to apply for an initial grant not exceeding £100 for the purchase of equipment, assistance towards the building of his house and farm buildings.

(3) Each settler must plant sufficient trees around his holding,

3: Clark S-5 (1950)1951 MH1 Iraq MH1

with some of those concerned that the question of rentals is to be considered. Capital also will soon be needed for drainage works and, here again, the tenants should be expected to make their contribution.

With this possible drawback which may soon be set right, the Dujaila Scheme of Land Settlement is important as a pointer towards one means of altering the prevailing land tenure system. As has been suggested earlier in this study, so long as this system remains unaltered it will never be possible to produce sufficient national wealth and to release that part of it which is necessary for the finance of projects such as the provision of compulsory education. Radically to reform the land tenure system at the present time would not be possible, because those who profit from it are a powerful influence in the country. Fortunately, however, there exist great tracts of uncultivated government land throughout the country which, when water is brought to them in a way similar to that in the Dujaila area, will be amenable to similar development.

Projects of this kind are being applied in five or six other regions, although most of the others are not at the advanced stage of the Dujaila project. The scheme of land settlement is significant in relation to the future development of education in that, if it continues as present indications suggest, it is both providing more taxable wealth for public services and is raising the standard of living of its participants who should thus be more ready to seek educational opportunities for their children. Equally important, it is producing men with a greater freedom and independence who are bound to be more articulate concerning social affairs and who will ultimately be able to play their part in democratic local government. One of the features of Iraqi political and social life which strikes a visitor to the country is that, apart from the official class who, incidentally are mainly men of urban background or urban education, there is little in the way of a middle class in the towns and nothing approaching a middle section of the community in the villages. It may well be that, by providing the participants with a better standard of life and consequently of self-esteem, land settlement schemes of this kind will have the effect of promoting a rural middle class who will not only bridge the existing wide gap between the very rich and the very poor but will demand their share in local affairs and thus help to promote a more vigorous local government.

Great credit must go to the Government for fostering such a bold social experiment, to the Director of the Dujaila Project for his obviously selfless devotion to the work, and to the Provincial Director of Education for attempting to plan a schools system in

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In this paper we shall deal mainly with the first set of problems; that is, the problems that concern the establishment of an efficient and expanding industry in Iraq; we shall only touch casually upon the social and political problems arising therefrom. This limitation is necessary to simplify treatment of the subject and it in no way implies an underrating of the social effects of industrialisation. Further, I have limited this article to a consideration of the problems of only one out of three types of industry. These are:

(a) Industries wholly or partially owned and managed by private individuals.

(b) Publicly owned and managed industries, such as the Iraqi State Railway workshops, armament factories and workshops, and the various light, power and watersupply companies owned and run by local authorities.

(c) Industries owned and managed by foreign enterprise holding a concession or monopoly from the State. Outstanding examples of this type of activity are the oil companies and the Baghdad Light and Power Co. Ltd.

Our treatment will center round the first type of industrial activity, that is private competitive industry, but many of the observations made upon this type are likely to throw light on the problems of other types of industry.

(1) **Financial and Entrepreneurial Problems:** It is often said that the main obstacle to industrialisation of under-developed areas is the lack of financial resources and the scarcity of local capital. This is only partially true. Many under-developed areas own a great deal of liquid wealth held in the form of cash deposits, or gold and silver hoards.[1] The difficulty is to induce the *investment* of this wealth in *industry*. This difficulty can only be solved by first making industrial investment possible, and then more attractive than other avenues for investment. Unless the banking system and the money market are so organized as to make it relatively safe and remunerative, as well as possible, for capital to be invested in

[1] It has been estimated for instance by the Clapp Mission in 1948 (The United Nations Economic Survey Mission for the Middle East - *Final Report*, Parts I and II, Lake Success, N.Y., 1949) that hoarded capital in Syria alone amounts to some $ 150,000,000. No estimates are available for Iraq.

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464 production side, is quite common. Often foreign managers are
472 employed as experts on the basis of a monthly or annual salary,
473 sometimes with a commission in the form of a percentage of net profits. In one case at least production management is given to an independent foreign firm of engineers against a fixed annual payment. This so-called "managing agency system" has been recently introduced in Iraq and has not given rise to any complaints yet. The "system" however has resulted in many abuses in India where it is widely used, and it is now under investigation in that country. [1]

648 6. **Foreign Capital and Participation**: Except where foreign enter-
457 prise has obtained a concession for the development of important
471 resources such as oil, or the supply of light and power as in the Baghdad area, there is very little foreign capital invested in industry as such. Foreign capital for reasons beyond the scope of our discussion has been invested in Iraq mainly in trade and commercial banking (short-term lending). It may be to the benefit of Iraq to induce foreign capital, and perhaps management, to participate in industry. One of the best ways to get the advantage of foreign technical skill and experience, and to bridge the gulf between the existing state of technique in Iraq and that attained by highly organised industry abroad, is to encourage foreign firms to establish branch factories in Iraq. Such branches would have their own capital and management in which Iraqi nationals and foreigners could join together on an agreed basis. It is possible that the limitation of market and geographical position may discourage foreign firms from taking this course. Some of them would require special concessions to induce them to come to Iraq. Many of them are perhaps ignorant of the possibilities that exist. And many others may require some guarantees as to: (a) the remittance of profits and repatriation of capital, (b) equal treatment with Iraqi capital and industry, (c) in case of nationalisation, fair and equitable compensation. In all these respects Iraqi practice in the past has been quite generous, but there is no legislation which clearly defines government policy toward foreign enterprise. The Law for the Encouragement of Industry (1950) stipu-
648 lates that 55 per cent of the capital should be owned by Iraqi
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[1] *The First Five Year Plan, Draft Plan.* Government of India, Planning Commission, July 1951, p. 161.

Seal Dalli S-5 (no date)1954 MHI Iraq MHI

nationals in order that industry may qualify for the concessions granted by that law. This may appear as a discrimination against foreign capital and some foreign industrialists have raised this point. But considering the great concessions granted by the Law, including the appropriation of state land, and the smallness of the majority reserved for nationals, the "discrimination" is nominal. Past experience of foreign capital investment in the Middle East does not allow the removal of such safeguards. However, the writer believes that proper legislation on these three points mentioned above would give foreign industrialists sufficient assurance; and, given the proper information and contacts, many firms may be induced to establish branches in Iraq to the benefit of all concerned.[1]

7. Other problems: There are other less important industrial problems which should be mentioned even though limitations of space prevent full discussion of them.

(a) It should be realized that Iraqi industry labours under a heavy burden of over-capitalization which adds to its costs. There is a tendency to have completely integrated plants; most industries have to maintain a power generating plant either to provide electricity, or as a spare in case of failure in the city supply. Practically all industries have their own workshops. There is a strong desire on the part of all industry owners to be self-sufficient with regard to supply of materials, chemicals and spare parts. Many industries have been induced to purchase more land than they actually need in order to guard against future needs and also to profit from the expected rise in land values. This has led to an insufficient utilization of machinery and to a great amount of working capital, per unit of production, locked up. These facts are reflected in the balance sheets of many industries in the form of Loans from Banks (commercial banks) which in some cases reach 50 per cent of nominal capital and thus increase the fixed charges which industry has to meet. The reason for this desire on the part of industrials to be more or less completely self-sufficient lies in the fact that, owing to the country's industrial immaturity, it is often impossible to rely on efficient service from outside plants when required. The need to keep great stores of

[1] In accordance with the economic boycott enforced by Arab States, firms having business relations with Israel are excluded.

433 materials and spare parts is due to many factors. First is past
471 experience of the difficulty of obtaining such materials, due either to Iraq's distance from international markets, or to the shortages of world supply, or to the arbitrary attitude of suppliers abroad. Secondly, the fear of interruption of supplies owing to international emergencies and restrictions in the countries of origin. Thirdly, the influence of directors or big share-holders who own agencies for such materials or spare parts.

433 (b) There is great scope in Iraqi industry for improvement in the layout of machinery, flow of material, lighting, noise abatement, and temperature control.

466 (c) The problems of labour recruitment and organisation, systems of wage payment, housing and workers' welfare in general, fall outside the scope of this paper. It is sufficient to say that present labour legislation provides for weekly and annual holidays, for compensations in cases of injury or total loss of life, and prohibits the employment of children under twelve years. Industry is subject to inspection by officials of the Ministry of Social Affairs for the purpose of enforcing the labour laws. The formation of trade unions is permitted under the law, but so far labour organisations have played very small part in industry.

433 (8) State Assistance and Control: The main characteristics of in-
654 dustry in Iraq should by now be clear. It is of a recent development. It has developed largely under state protection and assistance. It has to operate within a very small market. The fact that industry is still in its infancy makes it hard to predict its future course. The part which government assistance has so far played in its development is of special importance and calls for examination. State assistance has taken various forms; tariff protection, exemptions from various taxes and duties, and financial aid through the Industrial Bank. Except possibly in the last case, government assistance to industry has not been based on any criteria of efficiency, or economic or social objectives. Any firm can obtain the benefits of state encouragement as long as it fulfills two conditions only; that it will use raw materials available in Iraq, or that it will produce goods imported in large quantities. It is necessary, if industry is not to grow lax behind the high walls of protection, to set up standards of efficiency, and to relax protective measures such as the prohibition of competitive imports, as soon as experience is acquired and production costs are stabilized. Benefits under

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433 as 60,000 people are engaged in industrial production (other than oil), virtually all of these are employed in small undertakings where the work is largely done by hand and productivity is accordingly quite low. Probably only about 2,000 are working in what might be characterized as modern industrial plants.

654 651 382 Fortunately prospective increases in government revenues from oil now make it possible for the government to undertake a large-scale program for the development of the country. Past investments in the oil industry will in the future yield large dividends in the form of a rapidly increasing production of petroleum.

● [471] In accordance with an agreement reached in August 1951, subject to ratification by Parliament, the three internationally-owned oil companies operating in Iraq have undertaken to raise oil output, which amounted to only about six million tons in 1950, to 30 million tons per year by the end of 1955 and to turn over to the Iraqi government half of the profits before the deduction of taxes. On this basis it is anticipated that, over the next five years, the governmen may receive net revenues amounting to as much as 214 million dinars from oil alone. Under the terms of a law passed in 1950 these revenues will be available to finance development. They will be assigned to the Development Board, an autonomous agency established in 1950 to ensure greater continuity in the planning and implementation of development programs.

652 In the past, financial stringencies have severely limited public expenditures. The government has often had difficulty in making both ends meet. Severe economy has been the rule. Development outlays had to be kept small; government salaries were not raised in accordance with the increasing cost of living; and local administration was starved of funds. In the future the situation will be reversed. The principal task will be to find ways and means of spending rapidly increasing revenues in a manner which will contribute most effectively to the permanent development of the country. It is with this task in view that the Mission has drawn up its recommendations.

880 Any program for realizing the economic potentialities of the country should be broad in conception and well balanced. Investment outlays in dams and irrigation works, transport facilities and industrial plants must be complemented by increased expenditures

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Administration, an autonomous agency within the Ministry of Economics. The AMA rents this machinery to farmers and, in addition, is responsible for testing and demonstrating new machinery, licensing of imports and controlling the distribution of the limited supply of spare parts in order to prevent black-marketing.

Some provision for rental of machinery, whether by the government or by private enterprise, will be necessary for some time, partly because it enables farmers to become acquainted with the value of such machinery and partly because many farmers do not have sufficient capital for outright purchase. As long as private enterprise is incapable of providing this service at reasonable rentals or until cooperatives can be established, continuation of the government rental service appears essential. On the whole, therefore, the AMA's three-year program to replace and expand its machinery park and to equip repair shops appears desirable despite the obvious drawbacks of government operation. At present, however, the AMA is operating at a substantial loss. In the calendar year 1951, for instance, its rental income will probably not exceed ID 50,000 compared with estimated operating costs, including depreciation, of about ID 150,000. Since the beginning of 1950, when it started operations as a fiscally autonomous agency, it has had to cover its deficits out of the ID 500,000 capital which the government undertook to provide. While the government should probably defray that part of the AMA's expenditures not directly attributable to the rental operations, the overall deficit should be reduced by gradually increasing rental charges. Rental charges on tractors, in particular, appear unduly low and may be depriving private persons of the incentive to purchase tractors either for their own use or for rental to others.

Since the overhead costs of the AMA's rental operations will probably always remain rather high and its machinery must be transported over considerable distances, it is important that the government encourage as much as possible private purchase and operation of machinery. The extension of credit for this purpose appears essential. At present, however, the Agricultural Bank cannot lend money on farm equipment partly because it is short of funds and partly because such loans would not afford sufficient security in the absence of any legal requirement to register title TO MACHINERY.

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to machinery. In the future cooperative ownership and operation, especially in the new settlement areas, should be encouraged as one of the best means of extending the use of machinery on a practicable and economical basis. The experience of the Dujaila cooperative, which, owing to low overhead and transport costs, rents machinery to its members at rates lower than those of the AMA and yet is apparently able to cover the cost of depreciation, seems promising in this respect.

Lack of repair facilities and spare parts have greatly handicapped mechanization. The government is seeking to overcome this difficulty both by establishing its own repair shops and by requiring importers to provide repair facilities and maintain minimum stocks of spare parts. Such centrally located shops will be available, however, only for major repairs. Since local repair facilities are now almost wholly lacking, steps should also be taken to establish a considerable number of small shops equipped to undertake minor repairs. In addition, courses designed to train drivers in elementary maintenance are urgently needed. The cost of mechanization will remain discouragingly high unless the life of machinery is prolonged by more adequate maintenance and repair.

3. Soil-building and Forage Crops: Fertilizers

The cultivation of soil-building and forage crops is virtually unknown even though the fertility of the soil needs to be replenished and an improvement in feed supply would make the greatest single contribution to an increase in the low productivity of livestock. In the irrigation zone berseem clover, sown in the grain stubble in late summer, would provide a particularly good pasture, soiling and hay crop. In the rain-fed region winter oats and vetch, when cut and cured, would provide a good reserve feed. In the irrigation zone quick-growing crops such as millet could be grown for summer pasture; and more corn, sorghum and legumes such as cowpeas and mungo beans should be cultivated.

Little fertilizer is used and animal manure is generally collected and dried for use as fuel. With the expanding cultivation of crops such as cotton, the use of fertilizer is becoming more urgent. There is need for soil analysis and extensive experimentation to ascertain the fertilizer requirement and the effect of fertilizer on

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The Mission has carefully considered what industries might be expanded and what new industries might be established. It has sought to confine its recommendations for industrial development to those industries where there is reasonable prospect of efficient production, competitive with imports, and where production is within the technical capacity available in Iraq, supplemented, where necessary, by outside technical and managerial assistance.

Petroleum and Refining

No recommendations need be made on the oil industry. The oil resources of Iraq are immense, the reserves of the Kirkuk field amounting reputedly to 1,000 million tons and those of the less well explored fields near Basra offering perhaps equal promise. The development of these resources by the oil companies is proceeding along sound lines. The oil companies have also been well in advance of other enterprises in providing housing, health services, and other amenities for their employees, in instituting labor training schemes and providing better pay for workers. The Mission realizes that there has been some criticism in Iraq of the rate of development, particularly in the Basra field. The expenditure of close to £90,000,000 by the oil companies on oil development in Iraq is now, however, beginning to yield a rapidly rising output. Production in recent years might have been much greater if the outbreak of the war with Israel had not resulted in closing the pipeline to Haifa and in preventing the completion of another pipeline to that city. The existing line has a capacity of 2,000,000 tons and the projected line would have added another 4,000,000 tons. As already indicated, the government has recently obtained a commitment by the oil companies to increase output, which was a little less than 6,000,000 tons in 1950, to 30,000,000 tons per year by the end of 1955. It would not be advantageous to Iraq, however, to have production increased to such levels that the ensuing rise in oil revenues cannot in fact be effectively spent. Oil in the ground is a reserve for the future, and too rapid tapping of this reserve may entail a partial waste of resources.

The government has decided to build a modern oil refinery near Baghdad which it anticipates will cost about £7,000,000. This refinery will use crude oil supplied from the Kirkuk fields at cost. With an annual capacity of 1,000,000 tons, it will be able to supply

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all of Iraq's anticipated requirements for some time. This decision reflects an understandable desire on the part of Iraq to have a modern refinery of its own, replacing the somewhat inadequate and rather old Alwand refinery at Khanaqin which is owned by a subsidiary of the Anglo-Iranian Oil Company and is capable of supplying not quite 70 percent of Iraq's current requirements.[8] Foreign management of the new refinery will probably be necessary, at least for an initial period. The project will make it necessary to close the Alwand refinery and probably also the small oil field near the Iranian border from which it draws its crude. This field probably cannot be developed on a scale large enough to warrant investment in the pipelines necessary to export the oil.

Expansion of Old Industries

Some industries are now expanding without government financial assistance. The cement plant and the brewery are both doubling their capacity. Recent improvements and expansion have put the woolen industry abreast of the country's needs. Other industries do not for the present require expansion. Flour milling capacity, for instance, appears ample. The tanneries also appear to have sufficient capacity, but to raise the quality of their raw material supply, technical assistance is needed to improve methods of flaying and preserving hides.

Still other industries could usefully be expanded but do not have sufficient financial resources to do so without government assistance. The cotton and rayon textile factories in Baghdad and Mosul might well double their designed capacity and extend their facilities to make a wider range of products. At present cotton textile capacity can meet only about a quarter of the country's requirements. Since ample raw material is available and costs of production can become competitive with those abroad, further expansion would appear to be warranted. In its regular budget for 1951-52 the government has provided ID 1,000,000 for a government textile mill. The Mission believes, however, that government ownership and operation would not be desirable and that it would be vastly preferable to extend capacity with the participation of private capital and enterprise.

[8] By an agreement reached in December, 1951, the government took over ownership of the refinery, retaining the AIOC subsidiary provisionally as its operating agent.

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The exploitation of salt deposits may ultimately prove to be another industrial possibility. A salt dome known to exist near Basra might provide large quantities of salt for both export and domestic consumption and might make possible the establishment of an alkali plant, for which the gas from the nearby oil field could furnish cheap power. The Mission therefore suggests that core drilling of this dome be undertaken in order to appraise its commercial possibilities.

In the process of industrial development the host of small enterprises which account in the aggregate for a considerable output should not be neglected. Among these are shops engaged in tire retreading, reclamation of lube oil, battery and electrical repair work, automotive and machinery repair, wood-working, etc. Many of them could be assisted to improve their production through installation of power-operated tools and other equipment.

In starting new plants and expanding old ones it is important that capital charges be kept at a minimum by arranging for maximum possible utilization of the installed equipment. This involves the employment of as many shifts as possible, the use of machines at maximum working speed and, above all, the use of purchased power. In the past, industrial plants have added unnecessarily to their capital overhead by installing their own power plants. Such plants usually prove costly since they operate only part of the time. Single plants catering to both industrial and lighting needs are more economical because of a high and steady load factor. In order to induce industries to purchase power, however, the price of electricity for industrial use will need to be reduced. Such a reduction could be achieved in Baghdad, the principal industrial center, particularly if steps were taken to relieve the Baghdad Light and Power Company from the heavy burden of sharing its profits with the Iraq government and also having its profits taxed by the United Kingdom. Elsewhere, such as in Mosul, a reduction in power prices depends on more efficient management.

Financing of Industrial Development

The Mission believes that complete government ownership of industry should be adopted only where absolutely necessary. In general it will prove necessary only where private capital is not available either because the contemplated investment is too large,

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or because the investment is in a new and untried field which does not for the moment appeal to private capital. For the chemical plant proposed by the Mission the latter would probably be the case. The government apparently is also furnishing all of the capital for the oil refinery. Wherever complete government ownership is considered necessary, it would be desirable to have the Development Board act as the government's agent in putting up the necessary capital.

On the other hand, the existing Industrial Bank should be used as the agency for giving needed assistance to industry in all cases where the need is for expansion of present capacity or where there is a prospect of private participation in establishing new industries. This Bank, which began operations in 1946, has already performed useful work in promoting industry. At the end of February 1951 it had outstanding loans totaling ID 238,650 and participations in industrial enterprises amounting to ID 629,272. It has been handicaped, however, by a shortage of funds, since the government has paid in only ID 600,000 out of an authorized capital of ID 1,000,000. Its resources have to some extent been supplemented by borrowing ID 100,000 and ID 200,000 respectively from the Awqaf Administration and the National Bank. The Mission suggests therefore that the Development Board provide the means for gradually increasing the Bank's capital by about ID 5,000,000 which the Bank would be authorized to use for the making of loans to, and investments in, industry within the framework of an overall program approved by the Development Board.

Aside from making loans for production facilities, the Industrial Bank could assist industry by financing the construction of a bonded warehouse at Baghdad, so that credit could be extended on materials stored therein. The absence of such warehousing facilities has caused a chronic shortage of working capital in most industrial enterprises, for under existing conditions much of their capital is tied up in stocks of supplies.

The Bank's capital should be used primarily as a revolving fund. The Bank should generally dispose of its industrial shares whenever an enterprise becomes profitable and therefore capable of attracting more private capital. Profit-making assets should be kept only to the extent necessary to maintain a reserve against possibl-

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majority needs substantial improvement. The Department of Municipalities has drawn up a five-year program to provide or extend water supply systems for 114 municipalities with a total population of 943,000 people. Since such water systems are technically simple and the need is great, the Mission suggests that the Department be authorized to proceed with this program. Water supply systems for villages must, of course, be simple and inexpensive. In some cases, wells may prove to be the solution, although frequently brackish water is encountered; in other cases, water piped from a stream or canal with the help of a small pump and run through simple filters may be possible.

Outside of Baghdad and Basra municipal power plants are generally inadequate, and a considerable number of municipalities with a total population of 175,000 have no electricity at all. Baghdad and Basra, which together account for a generating capacity of 51,000 kilowatts, have a sufficient supply; and Kirkuk is adequately supplied from the large power plant of the Iraq Petroleum Company. Total generating capacity available in the remaining municipalities, however, is only 14,000 kw. A program for the expansion of this capacity and the provision of electricity for all municipalities would involve the installation of generators with an aggregate capacity of 10,000 kw. It would be desirable to proceed with such a program, provided simultaneous steps were taken to improve the management of municipally-owned power plants outside Baghdad and Basra. In these two cities the power plants are owned and managed efficiently by a private company and the Port respectively. At present the machinery in the plants of other municipalities is poorly maintained and little or no attention is paid to depreciation. Power "losses" are as high as 36 percent compared to not more than eight percent in Baghdad and Basra; and the rates charged range from 30 to 55 fils[4] per kw-hr as contrasted with 18 fils and less in Baghdad and Basra. To remedy these evident deficiencies it is recommended that serious consideration be given to entrusting the management of such plants to a competent private firm like the Baghdad Light and Power Company.

The Mission does not believe that it would be economic to develop hydroelectric power at present. The capital cost of hydro-

[4] One dinar equals one thousand fils.

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TABLE 2

CULTIVABLE LAND, CROPPED LAND AND LAND IN AGRICULTURE USE
(in millions of donums)

CULTIVABLE AREA		48.1
Irrigation zone	32.1	
Rain-fed zone	16.0	
AREA ACTUALLY IN CROPS		11.1
By area		
Irrigation zone	7.6	
Rain-fed zone	3.5	
By type of crop		
Winter	8.4	
Summer	1.9	
Orchards	0.8	
AREA UNDER CULTIVATION		17.5

These figures would indicate that the area under cultivation, taking into account the assumption that almost half of the area devoted to winter crops is normally left fallow, is only about 36 percent of the total cultivable area. In the rain-fed zone the area under cultivation could theoretically be more than doubled; and in the irrigation zone it could be almost tripled. Unquestionably these figures give a somewhat exaggerated impression for it is likely that the criteria employed in classifying land as cultivable have been rather liberal, but there is little doubt that the area under cultivation can be greatly extended. What would be required in detail to put this additional cultivable land in actual use is not known, but, in the irrigation zone, water and drainage are undoubtedly the prime prerequisites while, in the rain-fed zone, more manpower and machinery may be the principal requirements.

Forms of Land Tenure

Land is held under a complicated system of tenure which has given rise to much confusion and conflict. In accordance with traditional legal concepts the state has retained the ultimate legal title to nearly all the available land. Absolute private ownership, known as *mamloukah* or *mulk*, is confined to urban property and orchards. Rights to the permanent usufructuary possession of a large proportion of state or *miri* land have been acquired by private

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423 471 individuals, however, under conditions which are virtually indistiguishable from full private ownership, since the holdings may be sold, mortgaged or transferred to successors. In the past, claims to land were established in most cases quite informally without the benefit of full legal sanction, i.e., by simply occupying the land. Tribal lands were generally regarded as being held in common. As, however, the tribes were converted from nomadic pursuits to settled agriculture, the sheikhs and sub-sheikhs of the tribe gradually established a claim to such lands as their own property and thus became landlords, with their tribesmen as sharecropping tenants.

423 In the 19th century the Turkish government sought to establish a single legal system of tenure, known as *tapu*, but in the end this effort only compounded the confusion. There were no systematic grants of *tapu* tenure. Grants were generally made without any examination of conflicting claims and were used as a means of rewarding the favored few. The grants that were made at that time to the Sadun clan and a few other influential persons in Muntafiq province remain contested to this day by the actual occupiers of the land. With the introduction of *tapu* tenure many village areas in the North apparently were registered in whole or in part as the personal possession of local notables or *aghas* who in the past had acted as tax farmers and served generally as intermediaries between the government and the cultivators. In the twentieth century a further complication was added by the rapid introduction of pump irrigation. City merchants financially able to buy pumps entered into arrangements with occupiers of *miri* land for the supply of water against specified shares in the crop, thus creating new claims to land without resolving the fate of any pre-existing claims.

423 654 Following a study of this question by Sir Ernest Dowson, a British land expert, the government decided in 1932 to end the confusion by inaugurating a cadastral survey to be carried out by a number of so-called Land Settlement Committees. The law of 1932 as well as the law which replaced it in 1938 recognized the following types of land tenure:

— *Mamloukah* or *mulk*—land held in absolute private ownership.
Matroukah—land reserved for public purposes.
Mawqufa or *waqf*—land which is administered in trust (1) for

7-International Bank N. S-4 (1951) 1952 MH1 Iraq MH1

TABLE 7

ESTIMATED INDUSTRIAL EMPLOYMENT

Petroleum production and refining	11,500
Food and beverage	4,500
Tobacco	3,500
Wool and cotton processing, textiles, wearing apparel and footwear	11,000
Wood processing and wood products	2,000
Leather (other than footwear)	450
Chemicals (vegetable oils, soap, etc.)	550
Building materials	6,000
Metal-working, including jewelry	1,500
Machinery and machinery repair	2,700
Electricity and water supply	1,100
Miscellaneous	1,000
Total	45,800

Indications of output in the more primitive industries are very scanty, but data on output in some of the more modern industries can be found in the monograph on Industry. Production is, in general, on a modest scale, although some industries such as cement fill most of the country's needs.

Petroleum Production and Refining

Although production of petroleum is now rising rapidly, it has been relatively modest in the past. The exploitation of oil is predominantly in the hands of three companies—the Iraq Petroleum Company, the Mosul Petroleum Company and the Basra Petroleum Company—all owned in equal shares, except for five percent controlled by Mr. Gulbenkian, by the Anglo-Iranian Oil Company, the Royal Dutch-Shell, the *Compagnie Française des Petroles* and the Near East Development Corporation (owned jointly by Standard Oil of New Jersey and Socony-Vacuum). Of these three, the Iraq Petroleum Company, which is exploiting the large field near Kirkuk, is the only one in production. In addition, the Khanaqin Oil Company, a subsidiary of the Anglo-Iranian Oil Company, has a small concession adjoining the Iranian border.

Efforts to develop production have been concentrated mainly on the Kirkuk field where oil is found at the depth of only between

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433 expanded will, however, require financial assistance from the Industrial Bank. This should be arranged just as soon as plans can be formulated.

Petroleum Development

382 315 [471] The further development of the oil industry can safely be left to the internationally-owned companies now operating in Iraq. Under an agreement finalized early in October 1951, subject to ratification by Parliament, the three major oil companies—the Iraq Petroleum Company, the Mosul Petroleum Company and the Basra Petroleum Company—undertook to increase their oil output to 30,000,000 tons per year by the end of 1955 and to turn over to the Iraq Government 50 percent of the profit on their production before the deduction of taxes. Although output in 1950 amounted to only about 6,000,000 tons, there should be no difficulty about attaining the agreed target. The oil resources of Iraq are immense, the reserves of the Kirkuk field amounting reputedly to 1,000 million tons, with the new fields near Basra offering equal promise. In the development of these fields and means of transport, the oil companies have already made an investment of close to ID 90,000,000, which is now beginning to yield a rapidly rising output. Development in the Kirkuk and Mosul field has already proceeded on the assumption that a production capacity of at least 22,000,000 tons would be achieved in a few years, and with the completion of the pipeline to Banias, Syria, there should also be ample transport capacity. The balance of the projected output, namely 8,000,000 tons, will have to come from the newer fields near Basra. This may require some increase in drilling and will necessitate additional pipeline capacity to Fao, but neither of these will be difficult to accomplish.

382 466 The oil companies have been among the leaders in Iraq in providing better conditions and amenities for their employees and in instituting schemes for training skilled labor and technicians. They have been criticized, however, for their failure to appoint more Iraqis to leading positions. Under the agreement already cited they have undertaken to send 50 Iraqi students per year to British Universities to study various subjects relating to the oil industry, and also to establish a school in Kirkuk to train 60 Iraqis yearly in technical oil subjects.

7: International Bank N, S-4 (1951) 1952 MH1 Iraq MH1

433 power by industry is out of the question. It is hoped, however, that in time this may be corrected.

Even in Baghdad the purchase of power by industry would be greatly stimulated by a reduction in the industrial rates of the Baghdad Light and Power Company. Profits, after depreciation but before taxes, are now over half of gross receipts. Under the terms of its concession, the company pays a substantial part of these profits to the Iraq Government, the remainder being allocated to United Kingdom taxes, reserves for capital expenditure and dividends. The Iraq Government's share in the profits effectively constitutes a tax on electricity consumption, which it might be well advised to forego if it could thereby secure an equivalent reduction in power rates to Iraqi industry. The government might, therefore, explore with the Company and with the tax authorities in the United Kingdom the possibility of an equitable arrangement, whereby power rates would be reduced as far as possible, while still providing adequate funds for capital improvement and continuing a fair return to stockholders. A possible arrangement that has to be considered is the exercise by the government at the end of 1954 of its option to purchase the undertaking as a going concern. If such a course should be decided on, it would be desirable to enter into a management contract with the Company in order to ensure the continuance of efficient operation.

433 488 452 The amount of working capital required in Iraq per unit of production is exceedingly high, partly because enterprises want to be as self-sufficient as possible with respect to needed supplies and materials, partly because Iraq is relatively distant from international markets. Probably the best means of reducing the need for working capital would be through the erection and operation of a bonded warehouse which would provide all industries with facilities to store, until needed, supplies, material and chemicals of all types under conditions that would enable banks to extend credits on the stocks in bond. In this way the banks would have assurance that the stored material would not be released prior to full payment plus interest, storage and service charges. In effect, this would permit operations along lines very similar to those in highly developed countries where supplies and materials are obtained in accordance with production schedules.

7: International Bank N. S-4 (1951) 1952 MH1 Iraq MH1

365 371 distribution systems would be approximately ID 1,550,000, of which ID 1,000,000 would be in foreign exchange, mostly sterling. The financing of this development will need to be undertaken by the Development Board.

365 It is important, however, that expansion of supply be accompanied by thoroughgoing measures to assure more efficient management. The only utilities that can be said to be operated efficiently are those at Baghdad and Basra. In spite of a considerable burden on its revenue (see Annex D, *Industry*), the Baghdad Light and Power Company charges the lowest rates in the country, pays regular dividends to its stockholders and finances plant expansions from reserves set aside for such purposes.

Rates charged by the municipally-owned plants vary widely, and, generally speaking, are twice those in either Baghdad or Basra. In some localities, the demand for power is so much greater than supply that rates are made exceptionally high for the purpose of discouraging the normal use of electricity by large consumers. Distribution losses are frequently as much as 36 percent and because of poor maintenance an engine generator is seldom capable of operating at more than 50 percent of its designed rating. Records are also very poor and in some cases nonexistent. It is obvious, therefore, that the present form of administration is unsatisfactory and must be changed if the consumer of electricity is [471] to be adequately served. It is recommended, therefore, that all publicly-owned electric utilities be placed under the management of a competent private firm like the Baghdad Light and Power Company by means of a mutually satisfactory operating contract. The contract should require all operations to be conducted in accordance with sound utility practices and it should include some incentive to reduce rates to the level now enjoyed in Baghdad and Basra.

371 375 It has sometimes been argued that hydroelectric power should be developed as part of the projected water-storage schemes. While the possibility of such development undoubtedly exists, the Mission believes that thermal plants are at present the most economic source of power in Iraq. Hydroelectric plants require a much higher capital investment than thermal plants. They tend to be economical only where fuel costs are relatively high and there is

2: United Nations U-4 (no date) 1950 M1 Middle East
Iraq MH1

505 In 1947, the number of steam and motor boats fell slightly to 172 vessels with a total tonnage of 10,645 tons. On the other hand, the number of special motor boats for passenger transport increased to 388.

Railways

496 The railway network and railway transport in Iraq are not yet sufficiently developed; but the authorities are making considerable efforts to remedy this state of affairs.

• [471] In 1902 the Germans obtained a concession for building the Istanbul—Baghdad railway line—the "Baghdad Bahn"—a project in keeping with the *Drang nach Osten;* they began the work in 1903, but had only completed a few sections by the eve of the First World War. The work resumed under very different conditions after the First World War, and was completed in July 1940, when the Baiji—Mosul —Tel Kochek section was opened in the territory of Iraq.

[655] The Iraqi railway network, which is owned by the State, now consists of the following lines:

3:Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
Iraq MH1

Oil Industry

Petroleum concessions covering most of Iraq are held by IPC and the associated Mosul and Basra Petroleum Companies (MPC and BPC).[1] The three concessions are all for seventy-five years, from 1925, 1932, and 1938 respectively. They initially provided for the payment of dead rent until oil was produced and thereafter for royalties at the rate of 4*s.* gold per ton of crude oil exported. A new agreement, of 3 February 1952, made retroactive to 1 January 1951, provides that the Iraq Government shall receive 50 per cent of the companies' profits from their operations in Iraq before deduction for foreign taxes, part of the half share consisting of oil in kind (12½ per cent of the net production of each of the companies). In all circumstances except those of *force majeure* the Government's total income from the companies' operations is not to be less than 25 per cent of the seaboard value of all crude oil exported by IPC and MPC, plus 33⅓ per cent of the seaboard value of crude oil exported by BPC; the Government's income is further guaranteed at not less than £20 million sterling per annum during 1953 and 1954 and not less that £25 million during 1955 and subsequent years. Should circumstances of *force majeure* impose a suspension of oil production in the country, the Government will receive from the companies unconditionally a minimum annual revenue of 25 million for two years. In addition, the companies guarantee to produce and dispose of minimum quantities of crude oil annually as follows: IPC 20¾ million tons, MPC 1¼ million tons as from 1 January 1954, and BPC 8 million tons as from 1 January 1956. This replaces the previous undertaking that IPC should dispose of a minimum of 3 million tons per annum and MPC and BPC a minimum each of 1 million tons per annum. The approximate oil revenues forecast by the Iraq Government on the new basis for the years 1953–5 inclusive are respectively 45 and 59 million dinars.

Oil was struck for the first time in Iraq in 1927, near Kirkuk, and by the end of 1934 IPC exported crude oil through two 12-inch pipelines, each of 7 million tons' annual capacity, to Tripoli (530 miles) and Haifa (617 miles) on the Mediterranean coast. In 1949 a 16-inch pipeline of 4 million tons' capacity was opened to Tripoli. In consequence of the Palestine conflict work on a similar pipeline to Haifa stopped short at the Palestinian frontier; for the same reason the Iraq Government closed the 12-inch Haifa line, which has since remained disconnected at the

[1] For the location of concession areas, the length of period of the concessions, and the respective share holdings of the parent companies, see Appendix IV, pp. 568–9 below.

3:Royal Institute of International Affairs U-4 (no date)1954 M1 Middle East
Iraq MH1

315 frontier. A 30–32-inch pipeline of 14 million tons' capacity was
433 opened to Banias in Syria (560 miles) in 1952.

In the MPC concessionary area exploration and drilling were carried out before 1931, but it was not until after the Second World War that oil of certain commercial value was discovered and produced, at Ain Zala, north-west of Mosul. In 1952 the field was linked by a 12-inch pipeline to the IPC pipeline system, to permit the export of its crude oil to the Mediterranean coast.

In the BPC concessionary area exploration began in 1939 and, when resumed at the end of the war, was made more effective by the application of new geophysical methods. A field producing oil of good quality was developed in the area of Zubair, the average depth of the wells—some 11,000 feet—being greater than in any neighbouring Persian Gulf oilfield and four times greater than at Kirkuk. Oil is carried the seventy-four miles from the field to a new oil port at Fao, where oil was first shipped in December 1951, through a 12-inch pipeline; a second pipeline, of 24 inches, was completed in 1953 to cope with the company's increased production programme under the terms of the 1952 agreement.

433 Production of crude oil for 1952 (the first year of MPC and BPC production) was as follows: Kirkuk (IPC) 15,553,000 tons, Ain Zala (MPC) 270,000 tons, Zubair (BPC) 2,238,000 tons.

• 471 The area of eastern Iraq excluded from the concessions of
433 these three companies has been developed by the Khanaqin
382 Oil Company, a subsidiary of AIOC, on the basis of agreements made in 1925 and 1926. The output of the company's refinery near Khanaqin, together with imports from Abadan, provided Iraq's internal requirements of petroleum products. In accordance with an agreement ratified in 1952, the Iraq Government has bought the refinery, the company undertaking to operate it for ten years and, if requested, to operate also the new government refinery near Baghdad which is to replace it; after the Khanaqin refinery is closed the company will retain its production area on the same terms as those of the IPC 1952 agreement, conditional on exporting an annual minimum of 2 million tons of crude oil.

The government refinery at Daura near Baghdad, on which work started in 1952, is designed to produce a million tons of refined petroleum products per annum, a figure well in excess of the present requirements of the country. Meanwhile a small refinery of some 175,000 tons annual capacity has been erected
[439] at Basra to help make good the deficiency caused by the cessation of petroleum imports from Abadan.

15: Tannous N,G-5 (no date) 1951 M1 Middle East M1
Iraq MH1

Unlike Egypt, Iraq is a sparsely populated country relative to its land resource. Yet we find there the same conditions of landlessness, and low levels of living among the peasant folk. More serious still, we find in that country a great agricultural potential which is threatened by the prevailing destructive system of land tenure.

This fertile land of the ancient Tigris and Euphrates rivers has a total potentially cultivable area (mostly by means of expanded irrigation) of some 25 million acres. The present area that is under cultivation each year, however, is less than 6 million acres. There is no doubt that capital and technical aid from the West will make it possible for Iraq to realize this tremendous potential. The serious question, however, is whether development will be attempted on the present shaky foundations of feudalism, absentee ownership, and sharecropping, or on the sounder and more stable foundations of a thriving rural community that is emancipated through its ownership or control of the land. The answer, one way or the other, will be of grave consequence to the future of Iraq.

The following is a brief summary of the situation as it now exists. Less than 0.5 percent of the land is owned privately in fee simple. About 36 percent is state domain which has been leased out more or less permanently to individuals. Over 58 percent is held directly and fully by the state, and is leased out on a yearly basis. These figures indicate clearly that the fate of the land resource has not yet been fully decided as in the case of Egypt. The major portion of it is still in the hands of the state, which could dispose of it either in favor of the landless cultivator and tribesmen, or in favor of the absentee owner and the tribal chief.

The land that is now under cultivation (whether privately owned or leased from the state) is predominantly in the hands or under the control of the semi-feudal tribal chief and the large owner from the city. In either case, absenteeism prevails. The peasants, consisting of village folk and semi-settled tribal people, are in the majority of cases landless sharecroppers. They raise crops and receive a share ranging from 20 to 50 percent of the produce, depending upon whether they supply the seed, the

15: Tamous N.G-5 (no date) 1951 MI Middle East MI
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equipment, and the livestock. In reality the cultivator's share amounts to less than that, for he has to make certain contributions to local functionaries and to the agent of the landlord.

There is also clear evidence that unless the system is checked effectively at its roots, it will continue to perpetuate itself. Witness what has happened during the last 50 years or so. Irrigation has been expanded materially, mainly through pump installations, and total agricultural output has been increased tremendously; but the peasant has remained landless and impoverished. In general, he does not possess the ability or initiative to prove his legal claim to the newly developed land. In many cases, even when his right of ownership is recognized, the cultivator is not able financially to maintain the costly pump installation. He is obliged to work on a share basis with one who is able to supply the necessary capital and equipment, be he the chief or the merchant. Gradually, these become the owners of the land, and the original occupant becomes permanently a landless sharecropper. Through this process the virile and integrated tribal community of Iraq is being transformed into a demoralized agricultural settlement, under the control of an absentee landowner chief.

Syria affords another illustration of the magnitude of the problem. We witness here practically identical conditions of absentee ownership, sharecropping, and low levels of living among the peasants. The manner in which this system threatens the future of agricultural development in Syria is clearly indicated by recent happenings in the Jezira area. This has tremendous possibilities for irrigation and for dry farming. It is sparsely populated, and until recently has been utilized mainly for grazing by nomadic and semi-nomadic tribes. During the last few years cultivation has been expanded rapidly in the area. Modern machinery has been put on the land in large numbers, and bumper grain crops have been harvested.

On the surface, this appears to be the beginning of sound development. Upon closer examination, however, we encounter a different reality. The tractor has been put on that fertile soil mostly by speculators and absentee owners. Concern about the ultimate exhaustion of this great national resource is not upper-

15: Tannous N.G-5 (no date) 1951 M1 Middle East M1
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On February 16, 1950, the Prime Minister issued a statement of governmental policy in which he gave emphasis to land reform. He stated that small family farm ownership will be made the basis for agricultural expansion as undertaken by the Government in the future. In June and July 1950 the Government issued decrees by means of which the application of Law No. 23 of 1945 was extended to additional areas of state domain: in the provinces of Hilla and Kerbala in the south, in Diyala in central Iraq, in Suleimaniya and at the Hawijah irrigation project in the north.

M 185

It might be argued that all of these measures do not amount to much as yet. This is true; but the important fact remains that the present governments of the region are doing something about the matter. This is an indication of at least some concern on the part of national leadership. Through the extension of moral, technical, and material support by the United States and other cooperating countries, these beginnings could be transformed into great national realities for the whole Middle East.

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2. *Progressive elements and groups are working at land reform.* In Egypt and Syria, in Lebanon and Iraq, there are leading individuals and organized groups who have been giving serious thought to the problem. Some have begun to do something about it; others stand ready to lend their support once a national project is launched. Some have worked out sound plans and proposed draft laws for reform; others have established improved tenancy terms on their estates; and many others have written pointedly on the subject, depicting the problem and urging a solution. These enlightened elements have been increasing in numbers and in influence; they constitute the real hope of the Middle East. The encouraging reality is that we find these elements not only among the intellectuals and professional groups, but also among the tribal chiefs and large landowners.

In November 1950 a large group of professional and governmental leaders, representing most of the Arab countries, met in Cairo in a Social Welfare Seminar under the auspices of the United Nations. Reports already received indicate that the subject of land tenure and land reform received serious consideration, the gravity of the problem and possible solutions being discussed in detail.

25: Warriner S-5 no date 1948 M1 Middle East
Iraq MH1

prosperity of the main national industry and the welfare and contentment of the people as a whole.'[1]

There are different varieties of tenure in the two zones, determined by the different conditions of agriculture. In the north, the forms of tenure are similar to those of Syria, with a class of small proprietors taking some, but not all, of the land. In the south large owners or sheikhs own virtually all of the land, letting it to share-tenants, through a series of intermediary lessees, minor sheikhs, sirkals (formerly sub-sheikhs), or town notables. At the bottom of this many-storied building the fellah cultivates the land under a burden of debt. This peculiar form has originated from the disintegration of the tribal system; the sheikhs have profited by the confusion of the law to secure individual ownership of land which by custom is the property of the tribe.

The Breakdown of the Tribal System. In the irrigation zone, the practice of shifting cultivation was accompanied until very recently by an equally unstable form of landownership. The basis of the ownership is the tribal *dirah*, a large area not limited to land actually tilled but including also non-cultivated land and submerged marsh land, over which a tribe exercises a customary right of occupation. These areas are considered to be the property of the whole tribe, and until recently were so in fact.

The tribal system existed generally until some forty years ago, and still prevails in parts of the country.[2] Under this system, the usual procedure was to set aside a part of the cultivated area, a third or even a half, to provide revenue for the sheikh to discharge his political duties, which then included the maintenance of a tribal militia, the provision of hospitals, and keeping the *mudhif* (the coffee shop and civic and social centre of the tribe). This revenue accrued to the office of the sheikh, and not to his person. The rest of the land was sometimes distributed among the families of the tribe, according to the numbers of fighters who had helped to seize the land from another tribe, or according to the amount of land reclaimed: more often, however, the land was cultivated in small groups, the tribal sub-

[1] op. cit., p. 33.

[2] For a detailed account of the historical development of Iraq's land tenure system, see Salih Haider 'Land Problems of Iraq' (London University Ph.D. thesis, 1942).

25: Warriner S-5 to date 1948 MI Middle East Iraq MH1

twenty-first part of the total. The position of the share-tenant in Iraq is much worse than that of his counterpart in Syria.

In the districts of flood irrigation the tribal system has disintegrated, but its superstructure, the sheikhs and sirkals, remains. Most of the political functions of the tribe have now been transferred to the State, and the only economic function now performed by the tribal authorities is the control of irrigation, digging of canals, and repairing of breaches, which is done by the cultivators under the direction of the sirkal who has become a kind of farm bailiff acting for the sheikh. Under this system the sheikh and sirkal take together up to 80 per cent of the crop, leaving the cultivator some 20–30 per cent.

This exploitation is possible because the sheikhs have succeeded in establishing, mainly during the last fifteen years, their title to absolute ownership of the tribal land by means of land settlement. Because in Ottoman times the cultivators had no legal title to the land which they occupied, the landlords were able, during the period of the mandate, to use their political power to secure legal title to land which was by custom and tradition the property of the tribe. In much the same way the English landlords of the eighteenth and nineteenth centuries enclosed land as their property which was traditionally common property, and ousted small holders whose title was based only on custom. As in nineteenth century England, the process is being hastened by mechanization, which gives the big landowners an advantage as against the small cultivator, and by inflation, which gives them the impetus to invest. The big landowners of Iraq are a comparatively recent creation, and it is the economic and legal changes of the past twenty years which have established their position.

Northern Iraq. In northern Iraq there is a different type of land tenure and fewer large landowners. South of Mosul, in the fertile Tigris Valley, where pumps have been installed, there is a tribal system resembling that of the south, and the land is owned mainly by tribal sheikhs and notables. West of Mosul, on the rolling uplands with poor rainfall, the land is also held on a tribal system. In this region in recent years there has been a rapid introduction of machinery; and the sheikhs are extending their power to acquire land. In future bigger imports of machinery will probably cause them to extend their influence

Zb: Wantner S-5 (no date) 1948 MI Middle East
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over larger areas, much as the pump owners are doing on the Lower Tigris.

But in the north-eastern rain-fed zone, Kirkuk, Erbil, and Sulaimaniya, the position of the cultivator is better. There is a settled system of cultivation and a large part of the land is held by small proprietors. In the plain lands of Kirkuk and Erbil as much as 75 per cent of the land is held by small cultivators with holdings up to 200 dunums. Here the method of cultivation is much the same as in Syria, a *daim* (i.e. dry) crop being taken every two years.

Here too the legal position is different. In this part of the country, the provisions of the Ottoman Land Code remained in force, and most of the land was registered in Turkish times. Frequently the *agha* (or *mukhtar*), who was originally the patriarchal head of the village with the duty of maintaining order, has used his position to acquire land, and registered the land of the village under his own name. This has happened particularly often in the Kurd villages, where in spite of the Land Code's explicit prohibition of granting an entire village in the name of one person, the Turkish authorities, for the sake of peace, registered whole groups of villages in the names of the notables of Mosul, Erbil, Kirkuk, and Sulaimaniya.

But even though the landlords have obtained title to land, the share paid to them is much less than in the south, and amounts to only 10–20 per cent of the product.

Thus the problem of reforming tenure is here much less acute. As in Syria, peasant indebtedness is the major problem, but in the course of the recent war the high prices of grain have enabled the majority of the peasants to wipe off the burden of debt.

In the high mountain regions, however, particularly in the Zibar district, there is acute agricultural distress; a series of bad harvests due to plant disease, insect pests, and insecurity, has caused the agricultural economy to go steeply downhill in the past few years.

Settlement of Title. During the nineteenth century, the Ottoman Government attempted to settle title to land under the Land Code, as it did in the rest of the Turkish Empire. The Code was extended to Iraq under Midhat Pasha with the object of registering occupiers of land and thereby granting them

25: Warriner S-5 (no date) 1948 MI Middle East
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landowners, and the occupying peasants, which has from time to time led to outbreaks of violence.

In the Amara liwa for instance the sheikh has fairly complete power over his tribal sirkals and fellaheen. 'He switches his secondary lessees around at the yearly leasing time, throwing out any one he disapproves of, allotting the portions of land either by a form of auction or by direct agreement. The power of the sheikhs varies with the prosperity of the estates. The poor estates in the liwa, for instance, the Beni Lam estates, are short of labour and the sheikh is glad to get any comer on almost any terms. In such estates, the pump-owning secondary lessees (or sirkals) become the real masters of the land they cultivate, and the sheikh becomes a rent receiver. Other poorer estates in this district are becoming the property of the big rice merchants of the towns.'[1]

A report from the Muntafiq liwa describes similar conditions. The land is being ruined by bad farming, because year after year the same land is sown with a winter corn crop, and gets no rest either through fallow or through a rotation of crops. The government regulation that land must remain fallow in alternate years is disregarded. 'Perhaps the greatest racket in this area is the undue amount of the crop taken by pump owners,' says the report. This is due to the lack of any credit system: much forward selling of the crops takes place as soon as the green appears, at ruinous prices to the cultivator, sometimes in return for a loan amounting to about a quarter of the current grain price.[2]

In the densely settled regions of the south, such as Muntafiq, the position of the cultivator is particularly bad. He usually receives only a 30 to 50 per cent share of the produce. A typical apportionment of the crop is:

Government	10 per cent
Principal tenant (sheikh)	7½
Sirkal	2½
Landowner (either the sheikh or a notable)	40
Fellah	40
TOTAL	100[3]

[1] ibid.

[2] From an unpublished report prepared for M.E.S.C. on 'Land tenure in Muntafiq Liwa', 1944.

[3] A. Bonné, 'Conditions and Problems in the Agriculture of Iraq', *Bulletin of Agricultural Economics and Sociology* (International Institute of Agriculture, Rome) February 1934, p. 53–E.

29: Dunn S-4 (1952)1952 M1 Middle East
Iraq MH1

COTTON IN THE MIDDLE EAST

PRODUCTION

433 Industry at present is confined largely to processing agricultural products, producing building materials, and manufacturing consumer goods—matches, soap, cigarettes, shoes, beverages, and textiles.

Conditions are favorable for further industrial development. Opportunities are abundant for producing agricultural raw materials for processing, and indications are that iron, copper, zinc, chrome, sulphur, and salt exist in commercial quantities. With plenty of oil and natural gas, fuel is no problem. Manpower is adequate, and with proper training the Iraqi workman is said to be competent. A higher level of agricultural production would create also a wider market for manufactured products.

There are a number of limitations. The lack of technical "know-how" and the lack of sufficient private capital and initiative are the most important. Much capital, particularly that accumulated from agriculture, is said to be hoarded; and the balance generally is invested in urban or rural property, which is regarded as less risky, or in commerce where investors anticipate a • 471 high rate of return. It is suggested for this reason that industrial development in the immediate future will have to depend very largely upon the

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—Photo Courtesy of Technical Cooperation Administration

In most of the Middle East countries, cotton harvesting and, to a certain extent, weeding depend on migrant laborers who travel from one area to another. In Iraq, most of the members of the migrant farm worker's family walk, carrying their household goods on their heads. Only the tiniest youngsters and the oldest women ride the burros.

29:Dunn S-4 (1952)1952 MI Middle East
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[135] about half of the world's total. However, Iraq's past output has been paltry compared to its potential. A year ago Iraq's oil was flowing at the rate of 382 160,000 barrels a day. The figure is now 185,000, and estimates are that it will jump to 440,000 before long. The handicaps have been transportation and political difficulty. Iraq's wells are hundreds of miles from the Persian Gulf or the Mediterranean Sea, which means pipelines have to be constructed. Before this year two pipelines were in operation from the Iraqi fields to Tripoli, Lebanon. A 12-inch pipeline to Haifa, Israel, has been put out of use since Iraq joined the Arab embargo of Israel. A new 16-inch line built almost to the Israeli border has never been completed for the same reason. Early this year one small new line was completed to the head of the Persian Gulf, which will have a capacity of about 40,000 barrels a day. The main addition is the 30-inch line to the Mediterranean just being finished. It runs to Banyas, Syria, and has a capacity of 280,000 barrels a day.

[471] Mining is carried out by the Iraq Petroleum Company, owned by United States, Dutch, British, and French interests. Despite this diversified interest, there has been continuous trouble with reactionary groups in Iraq along the same lines, but less serious than those in Iran. Recently the Parliament approved a new oil contract which promises the Iraqi Government 50 per cent of profits before foreign taxes, and (from the western point of view) the political situation seems to have improved.[28]

COTTON TEXTILES

288 Until the erection of the Iraqi Spinning and Weaving Company mill in 1948, cotton was used primarily for filling mattresses, for upholstery work, and for the home industries. Around 2,600 bales of cheap raw cotton and cotton waste normally have been imported from India for this purpose. A small crop of unirrigated indigenous cotton raised in the north around Zakho goes into this market, too.

The Iraqi Spinning and Weaving Company in Baghdad doubled its capacity in 1951 and now has about 27,200 spindles and 580 looms, producing about 18 million yards and finishing 5 million yards annually. The company already has purchased more equipment to give a total of 39,000 spindles and 900 looms, capable of producing about 27 million yards of cloth annually. Several small mills weaving cotton and rayon and three small knitting mills are reported also.

The mill consumed 10,482 bales of cotton in 1951 and expects to use 15,000 bales in 1952. The cotton has been secured almost entirely from the domestic crop. A poor crop forced the mill to buy 1,500 bales from the United States in the early part of 1952, but this unusual situation is not expected to be repeated.

471 Funds authorized in the government budget for other cotton textile mills
288 have not been expended, presumably because of the general opposition to government intervention in the field of private enterprise and because of the recent expansion in the Iraqi mill. This expansion was financed by the Industrial Bank, which owns about a third of the company's stock.

288 With this expansion the factory should be able to produce about 40 million yards of cloth annually, or about 60 per cent of the country's requirements of 70 million yards.

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[28] Carmichael, J. H., "Oil from the Middle East Hits a New High Mark," *New York Times*, March 23, 1952.

services. "The disease has been recognized", he said, "what was required was that medicine for the prescription should be supplied and the patient taught how to take that medicine". The same Minister informed us that he himself, as a young man called upon to draft a new educational programme, had included in it the provision of community centres, but that unfortunately this feature of the scheme had not materialized. 657 185

45. Community welfare organization on a self-help basis in Iraq is, indeed, as yet in its infancy. Some observers consider that an indispensable preliminary to its development is to create in the minds of a people long under the influence and domination of a feudal tribal system an effective desire for self-government.

46. As is generally known, Iraq is rich in oil resources and it is the policy of the Government to transfer mineral wealth into productive capital for the general welfare. A statutory Development Board was established in 1950 to ensure continuity of economic policy, regardless of political changes. Seventy per cent of the income from oil revenues is allocated to the Board as revenue for projects of water conservation, flood control, irrigation, drainage, industry, mining, etc. The Board is also responsible for co-ordinating the development schemes in these fields initiated by the various ministerial Departments. Over 200 foreign technicians are listed as working in Iraq in formulating a variety of development schemes, mostly relating to economic improvements. Some of the experts are in the direct employ of the Iraq Government: others have been assigned to the Government for short periods for specific purposes by agencies and organizations furnishing technical assistance on a bilateral or multilateral basis. Relatively few technicians have so far been concerned with social developments, but the country's needs in this respect have, we understand, been partially surveyed. 651 382 185 471

47. In the absence of detailed documentation, we left it to the Government agencies most directly concerned with the subject of our mission to determine whom we should see and to suggest which projects or institutions we should visit. 000

48. During our short stay in Baghdad we were able to visit at Tal Mohamed a well-constructed modern building designed to serve as a centre for community activities for the residents of a model housing estate constructed by the Ministry of Social Affairs for low-income government employees. Cheap transport facilities were available between Baghdad and the new estate, in which some 500 houses were already in occupation and more would be constructed as funds became available. The imposing building in which it is intended that community activities shall be carried out has been ready for use for more than a year but only some of the equipment and furniture (including seven beds for maternity cases) have been installed. A difficulty in finding suitable qualified staff has delayed the opening of the centre. When it is in full working order it is planned to offer nursing, educational and indoor and outdoor recreational facilities on modern lines. The general appearance of the centre and model village was marred by the state of the roads after heavy rains. 657 185 362

49. It is understood that centres similar to that at Tal Mohamed are planned for other urban areas. The Ministry of Social Affairs, which until recently formed part of the Ministry of Health, has also other plans under consideration for creating, with external technical assistance, pilot projects of community organization or demonstration centres, in urban as well as in rural areas.

50. A survey of Iraq villages jointly conducted by Mr. Gordon MacGregor (TCA adviser to the Ministry of Social Affairs) and Dr. Yusuf Khaddoury, M.D. (Officer in charge of international relations of that Ministry) reveals: 185 657

II. THE BASIC PROBLEMS OF THE RURAL PEOPLE

A. PRESENT CONDITIONS

369 511 162. The some 4,000,000 more people of Iraq who live the rural areas have been long characterized by many people both within and outside Iraq as suffering from poverty, ill health and illiteracy. These conditions become readily apparent to one visiting the villages of the country today. The characterization of the people can be extended to their being ill-housed, ill-fed and ill-clothed.

369 511 The survey was immediately impressed with the crude and inefficient methods of making a living and the unnecessarily poor and unhealthy home and village life. These conditions can be remedied by instruction and assistance. People farm with primitive equipment and are wasteful of land and water. In village after village there are mud huts without light or fresh air. Families live, sleep and eat in single rooms packed together with animals, food, stores, farming equipment and refuse. Children play in courtyards filled with animal dung and filth, many people suffer from infected eyes, skin sores and diseases caused by unsanitary conditions which could be greatly reduced by better sanitary conditions. In the homes food is prepared on the floors where it comes in contact with the accumulated filth, flies, chickens, dogs and other animals. Pots and pans and mixing spoons lie on the ground. They are crudely cleaned with dirty water or old rags. There are no such things as kitchens, screened lockers for food or clean and covered places for drinking water in the homes of the rural villagers. Instruction in home care could overcome much of this.

369 3644 511 The lack of pure drinking water is one of the most acute problems in these villages. Some pumps and water tanks and some water piped from springs to collection pools have been installed. However, these facilities frequently lack sanitary protection and show lack of proper maintenance by the communities. Often wells have around them accumulation of stagnant water, mud and animal dung. Another acute problem is the lack of any facilities in many villages, and homes for taking care of human waste. Where toilets exist they are more uncovered holes open to flies and a source of spreading disease.

369 871 Many villages have not yet received the benefit of schools where children can learn some of the concepts and techniques which would enable them to understand the need for improving their conditions and help their families in doing so. In some villages young girls are not allowed by their elders to attend school or not provided with primary schools, buildings and teachers. Much of a new generation is growing up illiterate and ignorant of how they might help themselves when they grow up.

369 423 471 588 Inquiry among villagers and local officials revealed that although there might be a headman or mukhtar of the village, nearly all direction and management of their affairs comes from outside leadership. Communities lack the local leadership and organization by which they might progress through their own efforts. Sheikhs, landlords, their agents (girimi) who are frequently local government representatives as well, direct the farming operations, decide the lands on which the villagers will farm and live, provide much of the seed and equipment, direct the cleaning of ditches, collect the shares of crops and other payments and decide whether or not the farmers may live and work on the land during the next year. Even the farmer who owns his own land is not without obligations to many leaders, tax collectors and government supervision. The farmers and tenants of Iraq are dependent upon

369 others almost for life itself. In their position they cannot help themselves, but
423 go on generation after generation at the same poor level of living. There are no
471 committees or councils to represent themselves or which government sources might
511 utilize for participation in family and village development programmes.

369 Many other problems such as undeveloped village crafts and industries, lack
433 of access roads and marketing facilities might be added. Enough has been
511 described to indicate the great and urgent need for a broad programme for assistance to the rural population of the country. It is recognized that these are not new conditions but part of a way of life that has been characteristic of these people for centuries. The wealth and labour of the land through all these years has been for the welfare of the few who ruled. It has been only within comparatively recent years that the leaders of Iraq have become concerned about or in a position to help in the improvement of rural affairs.

B. CAUSES OF CONDITIONS

369 Many factors beside tradition have contributed to the present plight of the
566 rural people. Essentially their problems stem from the lack of security on the land, the lack of financial means or credit to develop their farming or crafts and the lack of knowledge to promote their own advancement.

1. System of Land Tenure

369 The major and self-evident cause of present poverty is the lack of ownership
423 of land and of any security under the tenant system. The tenant owns no farm or
471 house. He must shift his farming operations or even leave the land as he is directed. Therefore, he has no base on which to build a better life or earn a better income. The small land farmer who owns his own land frequently has an insufficient amount to provide adequate income.

2. Lack of Credit

369 Credit for the small farmer or tenant is virtually unavailable. Both tenant
452 and small owner are subject to a system of sharecropping or credit which by
566 exorbitant rates leaves them with insufficient balance from their crops for their own subsistence. In fact some tenants receive as little as 20 to 30 per cent of their crop. Small farmers often have to forfeit their lands because they cannot pay off their mortgages and work in the employ of their creditors. Rarely it was found that a small farmer received a loan from the Agricultural Bank.

3. Poor Land Use

369 The landlord, however, does not always stand to make great profits. He loses
566 more proportionately than the tenant during crop failures when he must provide them
311 with food and receive no return. He loses continually from their inefficient farming methods, their ill-health and limited ability to work and the uses to which he puts his lands.

4. Lack of Knowledge and Training

369 Especially important among these reasons for poverty is lack of training and
511 information. The rural people are for the most part without education in its
212 broadest and most fundamental sense. First, there is a lack of ability to read and write to obtain more info on methods.

63:Simmons et al G-5 (1941-1951) 1964
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241 commercial crops in the rain-fed zones of the north; dates, cereals and cotton, in the south. The date-palm groves in the irrigated lands along the Shatt al Arab and the Euphrates rivers, and in scattered areas along the Tigris, furnish almost one third of the 233 world's supply of dates. Sheep, goats, cattle and other livestock are raised in large numbers by the nomadic and the seminomadic 439 peoples. The chief agricultural exports are dates, barley and other grains, cotton, wool, hides and licorice: this last-named item grows wild in many localities in the south. 242 The government is promoting the adoption of modern methods of farming and animal husbandry and the expansion of irrigation facilities. It operates special agricultural schools and experimental farms in different parts of the country, as well as a date research station near Basra. Within the last few years it has initiated settlement and demonstration projects on state lands at Dujayla, near Kut; at Shahrizor, near Sulaimaniya; at Huwaija, near Kirkuk; and at Sinjar, near Mosul.

125 With the exception of the oil reserves, the mineral resources of Iraq are negligible. Small deposits of lignite, gypsum, sulfur and other minerals are known to exist in the north, while salt beds are found in widely 472 distributed areas. Industrial development is 438 slight, in spite of the impetus supplied by the shortage of materials during the recent war years. Small craft industries flourish in the urban centers, and a few modern factories have been established in Baghdad and Mosul for the processing of local products. These consist primarily of plants for the manufacture of textiles, cement, bricks, distilled liquors, soaps and cigarettes.

125 The petroleum industry has expanded rapidly since the discovery of oil, in 1927, at Baba Gurgur, in the Kirkuk region. The reserves, which are reputed to be among the richest in the Middle East, provide a pri- 471 mary source of wealth for the country. The Iraq Petroleum Company holds concessions, originally granted in 1925, covering the lands east of the Tigris River and north

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of the 33rd parallel. Affiliated companies have concessions over the remaining territory—the Mosul Petroleum Company in the region west of the Tigris and the Basra Petroleum Company south of the 33rd parallel. Oil is extracted from the Kirkuk fields by the Iraq Petroleum Company and conveyed by pipelines to Mediterranean ports. It was formerly pumped to terminals in Tripoli and Haifa, but the latter pipeline has been closed since the Arab-Israeli hostilities in 1948. A new pipeline, constructed from Kirkuk to the Syrian port of Banias, was opened early in 1952.

In 1938, the Basra Petroleum Company began drilling operations in the Persian Gulf area, where the existence of an extensive oil field has since been established. In 1950, a pipeline was completed to its shipping terminal at Fao, at the head of the Gulf. The activities of the Mosul company are still in the exploratory stage, but the production of oil has recently been started at Ain Zala. It is piped to the Mediterranean by a line which joins that from the Kirkuk fields at Baiji, on the Tigris.

A smaller oil field at Naft Khanah, near the Iranian border, is worked by the Khanaquin Oil Company, a subsidiary of the Anglo-Iranian Oil Company. This company operates a refinery on the Alwand River, near Khanaquin, which supplies petroleum products for local consumption. Since 1952, it has also constructed a small refinery at Basra to process products for use in southern Iraq. It obtains the crude oil from Naft Khanah or from the Basra Petroleum Company.

Iraq derives a considerable revenue from the pilgrimage traffic. The principal shrines of the Shia sect are located at An Najef, Kerbela, Kadhimain and Samarra, and, in addition to local pilgrims, they are visited annually by thousands of Shiites from Iran, Pakistan and other Moslem countries. The privilege of burial near the shrines is also coveted by devout Shiite Moslems.

Transportation is mainly by roads or waterways. Motor highways link the princi-

67: United Nations S-5 (1945-1954) 1955 Mi Middle East
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Chapter 4

IRAQ

Developments to the End of the Second World War

433 At the end of the First World War, when Iraq was constituted as a State, very little had been done to develop its economy. An over-all irrigation programme had been drawn up, and the Hindiyah barrage had been built on the Euphrates and work begun on the Habbaniyah escape channel, but the outbreak of war had interrupted progress. The war had also prevented the exploitation of oil deposits by the Turkish Petroleum Company, formed in 1914. In the nineteen twenties, development was started. The digging of canals, the building of minor works and the installation of irrigation pumps resulted in a substantial increase in cultivation, and there was also a slight improvement in farming methods. Railways were extended and other means of transport improved.

436 Further steps were taken in the nineteen thirties. In 1932, instead of the rupee, the Iraqi dinar became the unit of currency. The Kut barrage, on the Tigris, and various canals, regulator dams and minor projects were completed. The establishment of a few cotton gins, textile plants and other factories producing consumer goods marked the beginning of modern industry. A government-owned Agricultural and Industrial Bank was set up. A land settlement law was passed in 1932 and amended in 1938, and work on land settlement began in 1933.

471 Of more importance to the Iraqi economy was the development of the petroleum industry. In 1925, the Iraqi Petroleum Company, a successor to the Turkish Petroleum Company, was granted a concession, and in 1927 the Kirkuk oilfield was discovered. By 1934, that field had been brought into production, and two pipelines, with an annual capacity of 2.2 million tons each, had been laid to the Mediterranean coast; these developments required an investment of $62 million. Exports of oil began that year. The royalties and other revenues from petroleum accruing to the Government greatly increased its receipts and made it possible to augment expenditure on economic and social development.

433 During the Second World War Allied troops stationed in Iraq spent large sums on local purchases; from 1941 to 1944 inclusive, these expenditures totalled £64 million. There was a corresponding increase in national income, expressed in monetary terms, and prices rose considerably, the wholesale price index reaching a peak of 590 in 1943 (December 1938 to August 1939 = 100) and standing at 503 in 1945. This addition to national income and rise in prices stimulated agriculture; the area under cultivation was considerably extended, by irrigation and greater use of farm machinery, and although yields declined, total output increased somewhat. The greater part of the Allied expenditures was saved, in the form of sterling balances, which, in July 1947, amounted to £57.9 million. 1/

1/ National Bank of Iraq, Annual Report, July 1949-December 1950 (Baghdad, 1951).

Petroleum

433 The petroleum industry in Iraq has made striking progress during the post-war period. Production and exports, which had been low mainly owing to the lack of 382 transport facilities, increased sharply following construction of new pipelines to the seacoasts. Exploration activities led to the discovery of new oilfields, 315 which are being developed. As a result of increasing output of petroleum and the 439 revision of the terms of payment, Iraq's oil revenues have multiplied. These revenues have provided the financial means for development of the country's resources. Revenue from the oil industry, which is in the form of sterling, together with the substantial and rising foreign exchange disbursements of the oil companies for local expenditures, increased considerably the foreign exchange [464] supplies of the country and made larger imports possible. Availability of petroleum products, at relatively low cost, has facilitated economic development, and the consumption of oil products has increased severalfold. In addition, the petroleum industry has given employment to an increasing number of employees (see table 27) and is providing them with training. After a setback during the war years, when production declined to 1.6 million metric tons in 1941, output of crude petroleum in 1944 recovered to its pre-war level of 4.3 million metric tons. Construction of two additional pipelines, parallel to the previous lines and with a yearly capacity of about 4.5 million tons each, started immediately after the end of the war. The pipeline to Tripoli was completed in 1949, but construction of the other, destined for Haifa, was interrupted by the Palestine conflict and it remains incomplete. Another large-diameter pipeline with an annual throughput capacity of 13.5 million tons, linking the Kirkuk field to Baniyas in Syria, was completed in 1952 at a cost of ID 41 million. In the meantime, the activities of the Basrah Petroleum Company and the Mosul Petroleum Company, Ltd., both affiliated with the Iraq Petroleum Company, led to the discovery of Ain Zalah and Butmah oilfields in the Mosul area, and Zubair and Rumaila oilfields near Basra. The development of these fields, especially Zubair, and the installation of pipelines and oil handling facilities during the past four years, has increased substantially the crude petroleum export capacity of Iraq. In addition, another smaller oilfield had been discovered by a subsidiary of the Anglo-Iranian Oil Company before the war at Naftkhaneh, near the Iranian border, and its output, which was refined locally, served the domestic market exclusively.

As a result of the foregoing developments during the last decade, as well as increasing world demand for petroleum, production of crude oil, which had declined from 4.7 million tons in 1946 and 1947 to 3.4 million tons in 1948, because of the Palestine conflict and the shutdown of the pipeline to Haifa, started to rise sharply, to 6.5 million tons in 1950, 18.9 million in 1952, and 29.6 million in 1954, representing in the latter year 4.3 per cent of the world's crude petroleum output as against 1.5 per cent in 1938. This production may be compared with proved oil reserves, which were estimated at 700 million tons in early 1949, and nearly 2,300 million tons at the end of 1954. Total investment in the petroleum industry of Iraq was estimated in 1952 at approximately ID 90 million, of which the main portion had been for construction of pipelines.

439 Iraq is exclusively an exporter of crude petroleum; the value of petroleum 382 exports was estimated at ID 137 million in 1954 as compared with ID 10 million 471 in 1938. Exports are handled by the parent companies of the Iraq Petroleum Company and its affiliates, but under the terms of the February 1952 agreement,

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Table 27. Iraq: Operations Of Petroleum Companies, Selected Years

(Output in thousands of metric tons; value in millions of Iraqi dinars)

Year	Production (crude petroleum)	Consumption of petroleum products	Estimated value of crude petroleum exports	Value of imports by petroleum companies	Direct payments by petroleum companies a/	Foreign exchange disbursements by petroleum companies for local expenses	Number of employees in petroleum industry b/
1927-33 ...	105	125	-	...	0.64	...	3.6
1938	4,298	190	10.3	1.0	1.98	0.58	4.5
1941	1,566	265		0.3	1.46	...	3.3
1946	4,680	385	10.8	2.4	2.33	2.14	11.3
1947	4,702	470	14.0	5.0	2.35	5.60	14.6
1948	3,427	505	11.4	9.3	2.01	7.03	14.2
1949	4,067	520	14.1	10.3	3.24	6.40	12.9
1950	6,479	560	28.7	8.4	5.35	4.39	11.4
1951	8,351	610	37.1	8.7	13.21 c/	5.69	11.0
1952	18,843	710	83.0	14.4	37.41 c/	7.18	13.3
1953	28,217	795	125.6	13.2	49.87 d/	...	13.2
1954	29,550	...	136.9	...	67.50 d/	...	...

Source: United Nations, Statistical Yearbook; International Monetary Fund, Balance of Payments Yearbook, and International Financial Statistics (Washington, D.C.); Ministry of Economics, Statistical Abstract of Iraq (Baghdad); National Bank of Iraq, Quarterly Bulletin No. 11, July-September 1954 (Baghdad).

a/ Figures are for fiscal years beginning on 1 April of the year stated.

b/ Thousands; end of year data.

c/ Including ID 5 million for settlement of previous claims.

d/ Calendar year.

439 382 471 The Government of Iraq is entitled to take, as part of the payment by the oil companies, up to 12.5 per cent of crude oil produced by the operating oil companies and to develop its own export market. Refining activities are relatively small. There were three refineries at the end of 1953, with a combined annual capacity of nearly 800,000 tons of crude throughput. The output of petroleum products increased from 350,000 tons in 1949 to 690,000 tons in 1952. In order to increase refining capacity to meet rising local demand, the Government is constructing a refinery, with a capacity of over one million tons a year at Dora, near Baghdad. The plans was expected to cost ID 9 million and to start operations in 1955. In addition, the Government approved in 1953 a proposal to construct a lubricating oil plant to meet local needs. These government refineries will be supplied by crude oil, sold by the Iraq Petroleum Company, according to the February 1952 agreement, and delivered to the Government at K.2 pumping station; from there the Government will carry it in its own pipeline. The price of such oil, which will be for sale only in Iraq, is to be five shillings, sixpence, per ton of oil, plus a fixed charge of £63,000 per annum as the cost of pumping such oil to K.2 station. Consumption of petroleum products in Iraq increased from about 190,000 tons in 1938 to 385,000 tons in 1946 and nearly 800,000 in 1953.

651 382 471 Government revenues from oil operations were multiplied because of increasing production and exports and because of changes in the terms of payments by the producing companies. Prior to 1950, Iraq received the equivalent of $1.65 a ton, which was increased to about $2.45 a ton according to the agreement concluded in August 1950. This in turn was superseded, in February 1952, by a new agreement, retroactive to 1 January 1951, between the Government of Iraq on the one hand and the Iraq Petroleum Company, Basrah Petroleum Company and Mosul Petroleum Company, on the other. The agreement provided for an equal sharing of profits, with profits to be determined before deduction of foreign taxes, on the basis of fixed values and costs of petroleum. Under article 9 of this agreement, the share of the Government in profits from crude oil of Kirkuk quality on the Iraqi-Syrian border was calculated to amount to 35s. 6d. per long ton in 1951, increasing to 40s. 6d. in 1953 and thereafter; the corresponding figures on the Persian Gulf at Fao were 29s. 4 1/2d. and 34s. 4 1/2d. per long ton, respectively. This provision involved a discount of 17s. 6d. per long ton for Kirkuk oil from its Iraqi-Syrian border value, and 13s. for southern Iraqi oil from the posted prices in the Persian Gulf. A new agreement reached in March 1955, retroactive to January 1954, reduced this discount to a flat rate of 2 per cent, and resulted in a rise of 7s. per ton in revenue for Iraq. Direct payments to the Government, which were the equivalent of about ID 2 million in the fiscal year 1938/39 and ID 2.3 million in 1946/47, increased to ID 5.4 million in 1950/51 and nearly ID 68 million in 1954, all paid in sterling. Local expenditures by the oil companies for the purchase of local materials and payment of wages to workers, kept pace with the development of the petroleum industry; such sterling disbursements of the oil companies amounted to the equivalent of ID 7.2 million in 1952 as against ID 2.1 million in 1946 and ID 580,000 in 1938.

Other industries

433 Government attempts to promote industrialization began with the "Encouragement of Industries" law of 1929, which exempted industrial machinery and certain raw materials from customs duties and also exempted new industries from certain taxes;